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Accountancy

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CONTENTS

Professional Notes

The Trend of Capital Expenditure

THE GOVERNMENT RECENTLY announced (see ACCOUNTANCY for June, 1955, page 204) that it would collect information about the capital expenditure of private industry. The Board of Trade is now asking about 650 companies to provide figures. The companies are a representative sample of industry, comprising all the largest companies, together with a cross-section of others, and are responsible altogether for nearly three-quarters of the capital expenditure of all public companies.

The first request is for capital expenditure during the calendar year 1954 and expected expenditure during 1955 (the year 1954 will be used as the base year). At the end of next month companies will be asked for a forecast of capital expenditure during 1956, and similarly in future years the forecast of annual expenditure will be requested at the end of the September of the previous year. The first request for quarterly figures will be at the end of next October, when returns will be requested on expenditure in each of the first three quarters of 1955. The regular pattern of the quarterly inquiry will be established in January, 1956, when the figures of expenditure for the final quarter of 1955 will be returned.

The form for the first return shows that actual capital expenditure during 1954 is to be split into three categories —plant and machinery; vehicles and vessels; new buildings, civil engineering (excluding land), fixtures and fittings. For expected capital expenditure during 1955, the first two of these categories are merged together.

The up-to-date information about the short-term trends of capital expenditure, which this inquiry should in future provide, will be useful to the Government in

assessing the course of the demand upon resources and to give better warning of any inflationary or deflationary tendency in the economy. The statistics should also be of value to industry and economists. Similar information is already available and is regularly published in the United States and in a number of other countries, including Canada, Australia and Sweden.

The information provided by companies will be treated in the strictest confidence by the Board of Trade, which will publish at regular intervals summarised statistics based on the returns. It is to be hoped that the publication of these aggregates and comparisons will be made speedily, for the figures will be of most value to the public if they are thoroughly up-to-date.

The Society's New Examination Syllabus

AS FROM THE examinations of November, 1957, a new syllabus will be in force for the examinations of the Society of Incorporated Accountants. We set out the new syllabus on pages 318–320 of this issue of ACCOUNTANCY.

The main change in the Intermediate Examination is that greater emphasis is being given to Auditing and Taxation, and to achieve this purpose separate papers will be set.

In the Final Examination the main changes are that the Accountancy papers will be equally divided between Parts I and II; that the existing three Law papers will be merged into two; that the present papers on General Financial and Commercial Knowledge and on Economics will be merged into one, under the title Economics and Financial Knowledge; that the existing paper on Costing will become a paper on Management Accounting with special reference to the Interpretation of Accounts and the Use of Costing Data; and that one of the present papers on Advanced Accounting, Auditing and Taxation will be altered to Auditing and Investigations. It is in our view preferable that a candidate should be required to pass papers in accountancy subjects in each part of the Final Examination, rather than, as at present, to have his accounting papers concentrated in one of the two parts. The introduction of investigations specifically into one of the papers is a significant step, in line with developments in the accountancy profession itself, and similarly the extension of the Cost Accounting paper, with the new main title of Management Accounting and the inclusion of the interpretation of accounts and the use of costing data, reflects the increasing demand for the *expertise* of industrial accounting in modern conditions.

It will be noticed that the revised Intermediate Examination will take five hours more than the present examination, and the revised Final three hours more. We surmise that the lengthening of the time allowed for the examinations is not in order that longer papers should be set, but is to permit the candidate to give proper thought to his papers, so enabling the examiners to assess whether the candidate has a thorough grasp of the subject.

Accountant M.P.'s Election Invalid

EARLY LAST MONTH the Leader of the House, Mr. H. F. C. Crookshank, stated in the Commons that it had come to notice that Sir Roland Jennings, F.C.A., the Member for Hallam, had for a number of years held an appointment from the Treasury as an Approved Auditor (sometimes called "Public Auditor") for the purposes of the Industrial and Provident Societies Act, the Friendly Societies Act and the Industrial Injuries Act. Mr. Crookshank was advised that this appointment might be an office of profit under the Crown and consequently Sir Roland Jennings might have been incapable of election to the House. Subsequently, a Select Committee on Elections was set up to consider whether the election of Sir Roland Jennings, and that of Mr. J. George who had held the office of chairman of a company to which the Minister of Works had authorised an advance of funds, were invalid. In its report, the Committee says that Sir Roland was an Approved Auditor from 1923 until he resigned early in July, when he became aware of the position. He told the Committee he became a Public Auditor for the purpose of auditing the accounts of a British Legion and village club, of which he was a member. He undertook the audit to save the club the expense of engaging an auditor from elsewhere but found that by law he could not do the audit unless he was a Public Auditor. He obtained the appointment for this sole reason.

The Committee finds that the elections of Sir Roland Jennings and Mr. J. George were invalid. The principle underlying disqualification for those holding an office of profit under the Crown is still important, says the Committee, to ensure that House of Commons acts independently of the executive and because it is essential that it should not contain an excessive number of persons holding government offices and depending on the will of the executive. The Committee is satisfied, however, that the posts held by the two Members were taken in a public spirit and not for profit. Its recommendation that legislation should be introduced at once to indemnify the Members from any penalties they may have incurred and to validate their election, since they "are disqualified for purely technical reasons and had inadvertently contravened the law," was promptly adopted, by the introduction of an indemnifying Bill.

The day before the Committee reported, the House of Commons Disqualification Bill was published. Among other provisions designed to clear up the confusion in the state of the law in disqualifying an M.P. who holds an office of profit under the Crown, is one which would give the House of Commons power to order that inadvertent disqualification should be disregarded. This would mean that Acts to indemnify M.P.s who have inadvertently incurred disqualification would no longer be necessary.

Insuring Accountants' Fees from Abroad

THE WORK OF the *Export Credits Guarantee Department* in insuring exporters against risks incurred in

the sale of goods to buyers abroad is now quite well known and the cover provided is being used on a widening scale. Less well known is the initiative of the Department in extending its insurance to give protection against the non-payment of earnings from services rendered to an oversea principal.

Under this type of insurance an auditor or accountant may obtain cover for fees becoming payable by a principal abroad, just as fees of engineering and architectural consultants, shipping freights, royalty or copyright payments and similar items of invisible exports, can be insured.

Under the E.C.G.D. "Services" policies providing this cover, the risks insured against comprise the insolvency of the oversea principal (or refusal of an oversea government client to pay); the blocking of currency, or delay in obtaining currency transfers; war, revolution or civil disturbance in the principal's country; or war between the principal's country and the United Kingdom. The policy can apply to individual transactions or to a series of transactions. Premiums depend upon the nature, extent and duration of the risk involved and standard rates cannot, therefore, be quoted. On insolvency of the principal, the E.C.G.D. pays 85 per cent of any loss immediately, and when loss occurs through any other insured risk, 90 per cent is paid six months after the due date of payment or the event causing the loss, whichever is the later.

New President of the Law Society

IT IS OUR pleasure to congratulate Mr. W. Charles Norton, M.B.E., M.C., on his recent election as President of the Law Society. Mr. Norton is senior partner in the London firm of solicitors which has acted for the Society of Incorporated Accountants since the foundation of the Society seventy years ago. Incorporated Accountants owe much to the wise counsel and skilled advice of Mr. Norton, which he has placed at the disposal of their Society for many years past. He has been indefatigable in its interests. Many members have known him at its annual general meetings, which he regularly attends, often to give an expert answer, with a characteristic dry humour, on some legal point. During World War II, Mr. Norton gave his services as Chief Warden for air raid precautions in the City of Westminster; and immediately after the serious damage to Incorporated Accountants' Hall in July, 1944, he accompanied the Right Hon. Clement Attlee, M.P., Deputy Prime Minister, and Admiral Lord Mountevans—who was appointed to deal with war damage in London—when they visited the damaged Hall.

The Law Society is fortunate to have Mr. Norton's services in the important office of President during the coming year.

South African Chartered Accountants in Congress

THE FIRST CONGRESS of Chartered Accountants of South Africa and Southern Rhodesia was held in Johannesburg from March 22 to 25.

The first paper was on *Education and Training for Professional Accountancy in South Africa*, by Mr. A. L. Galloway, M.A., C.A., C.A.(S.A.), F.S.A.A. Mr. Galloway criticised the syllabus of the South African examinations as being too narrow. English and/or Afrikaans and Business Administration should be included and Economics should be restored. The South African accounting societies delegated practically the whole of the teaching of students to universities: they should provide supplementary instruction of a more practical character. Mr. Galloway felt that after qualification all accountants should take post-graduate courses, to be provided by the accounting societies or the universities.

Mr. E. Gibson Pringle, M.B.E., B.COM., C.A.(S.A.), spoke on *The Role of the Professional Accountant in the Community*. He considered that auditors tended to concentrate too much on "the negative side of their duties . . . the purely checking activities," and should more freely suggest improvements in accounting systems and financial administration. If the auditor also acted as adviser he should, however, avoid giving advice on controversial financial policy, which, if accepted, might result in action which he could not subject to his usual audit criticism: it would be better for an independent firm of consulting accountants to be retained. In a review of other duties undertaken by practising accountants, Mr. Pringle regretted that for various reasons insolvency and liquidation work was neglected. Accountants could render valuable service by specialising, especially in taxation and as management and cost consultants.

Mr. Pringle said that unfortunately there was not complete confidence in the "economic stability and financial integrity of South Africa," either in the country itself or internationally. Accountants, whether in practice, on Boards of directors or in employment, could do much to improve that position.

Some Problems of the Practising Accountant in Southern Africa were discussed by Mr. K. Lamont Smith, M.A., F.C.A., C.A.(S.A.), F.S.A.A. Mr. Smith first reviewed questions arising under the Companies Acts of South Africa and Southern Rhodesia relating to disclosure of directors' emoluments and loans, reserves and provisions, and amounts set aside for taxation.

Section 26 of the Public Accountants' and Auditors' Act, 1951, made important innovations, mostly aimed at increasing the auditor's independence of thought and action. In particular, he must report to the person in charge of the undertaking "any material irregularity of which he has cause to complain in his capacity as auditor," and if it is not rectified within one month he must inform the Public Accountants' and Auditors' Board. Mr. Smith suggested that the test of material irregularity would be an action of the directors or staff which offended against a statute of the Union and was likely to prejudice the company's financial position.

For death duty purposes, unquoted shares must be valued by an impartial person appointed by the Master of the Supreme Court, who usually appointed the company's auditor.

Further problems arose in the course of an accountant's practice,

Some in South Africa considered that accounts submitted to stockholders in the United States of America were clearer and more concise than those in the Union, and hoped that future changes would follow the American rather than the British pattern.

Mr. R. H. Button, C.A.(S.A.), F.S.A.A., presented a paper entitled *What is True and Fair?—A Critical Review of Present Accounting Standards*. The fairness of the profit and loss account depended largely, in Mr. Button's view, on the valuation of stock-in-trade and the effect of changing price levels on profits and depreciation.

He suggested that directors should be required to declare that stock had been valued at the lower of cost or probable realisable value, and to give the actual cost and the amount by which it had been written-down.

If it were decided not to record changing price levels in the accounts, the facts should be given in supplementary information. Mr. Button thought that depreciation on replacement costs was now a necessity.

The value of consolidated accounts was seriously impaired by their complexity, especially where there was a substantial minority interest: perhaps the statutory definition of a subsidiary should be amended to exclude these cases.

Is a Receiver an Officer of a Company?

IN THE RECENT case of *In Re B. Johnson and Co. (Builders) Ltd.* (reported in *The Times* of June 22) the Court of Appeal gave an important decision on the meaning of Section 333 of the Companies Act, 1948. Under that Section, if it appears in the course of winding-up a company that any manager, liquidator or any officer of the company has been guilty of any misfeasance or breach of trust in relation to the company, the Court may examine into his conduct and compel him to make a contribution to the assets of the company.

Proceedings were brought under this Section against a receiver appointed by debenture holders on the ground that he was an "officer," the argument being that the receiver had the powers of a manager and that as another section of the Companies Act defined "an officer of the company" as including a manager, the receiver must be deemed to be an officer of the company for the purposes of Section 333. The Court of Appeal refused to accept this argument. A receiver was appointed primarily to realise the security and not to carry on the business of the company. He had managerial powers but he was not a "manager," a term which had acquired a clear meaning during the history of the Companies Acts. Accordingly the receiver was not an officer of the company and the proceedings against him failed.

The Court also held that the Section did not apply to every kind of wrongful act and, in particular, it did not apply to mere common law negligence which should not be twisted into a breach of trust. The matters of which complaint was made were at most negligence, even if they were that, and on this ground the proceedings failed not only against the receiver but also against the liquidator who had also been joined.

Earnings at the Bar

IN AN ADDRESS at the annual general meeting of the Bar, Sir Reginald Manningham-Buller, Q.C., the Attorney-General, said that earnings of barristers had not much improved since 1953 when average earnings were substantially less than £1,000 a year. The high fees reported by newspapers, sometimes with doubtful accuracy, as being marked on some briefs, gave a completely false picture of the prospects of the profession. Fees paid had not increased, as they had in some other walks of life, to keep pace with the increased cost of living. Some minor fees in the County Courts had been raised to two guineas and the minimum fee paid by the Legal Aid Divorce Department had been raised to two guineas, but the remuneration for interlocutory work was frequently little better than nominal. The level of fees depended very largely on the taxing master; Sir Reginald hoped that the amendment of Order 65 would not be long delayed and would lead to more realistic and up-to-date standards in the taxation of fees. There were few specialists or experts outside the law who would accept fees of two guineas nowadays.

Of the young barristers called to the Bar between 1949 and 1954, continued the Attorney-General, no fewer than 266 out of the total 648 had started to practise without any pupillage. A year of pupillage was, however, a very important part of the training of a barrister, during which he gained experience which befitted him, as no examination could do, to shoulder the responsibility of his profession. Even more significant in the statistics was the large proportion of those called to the Bar who never practised. Between 1949 and 1954, no fewer than 1,009 of the 1,657 with British domicile who were called to the Bar did not attempt to practise. The reluctance to practise might, he thought, be partly a result of the present prospects at the Bar.

Estate Income—

AT ONE TIME there was justifiable complaint about the lack of reliable statistics on the yield from agricultural property. The effects of income tax, sur-tax and estate duty were known to be disintegrating the rural estate, but detailed evidence was difficult to collect. Now, as a result of a wide research survey undertaken by the Department of Estate Management at Cambridge University, a great deal of valuable financial data is accumulating. Following upon the two booklets *Estate Duty Anomalies* and *Reserve Funds and Maintenance Funds* is a new issue in the series entitled *Estate Incomes* (price 2s. net). Thirty-seven estates covering 341,596 acres provide material for the tables and text.

The review examines first the differences between assessed income and true income, and shows that comparison between various agricultural estates is made difficult by varying methods of assessment. For example, one estate may exceptionally submit no maintenance claim but rely on the statutory repairs allowance as the measure of tax

relief on repairs: even when maintenance relief is claimed, it may be restricted to the total of the Schedule A assessments. In contrast, an excess of expenditure upon another estate may be set off against other income and the owner's total liability to income tax and sur-tax reduced accordingly. In spite of this variation, the maintenance claim is recognised by this research as a necessary device to draw assessed income closer to actual income.

—And Maintenance Claim Time Lags

THE SECOND PART of this booklet is devoted to an examination of the delay that takes place before the full effect of maintenance relief is felt. The reader is reminded that the cost of repairs has risen. "The yearly cost of a regular repair policy will not remain constant over an inflation period. It will rise constantly." Thus, it is shown that the self-adjusting mechanism of the maintenance claim is upset, and the relief based on an average of five years results in a serious time lag and an overpayment of tax. Reviewing a period of five consecutive years for the group of estates in the sample, the just and full tax rebate is shown to be £891,051 against an actual rebate of £552,827.

What is the remedy for such an imperfect tax assessment? One answer suggested by *Estate Incomes* is for the maintenance expenditure of each year to be set-off against the assessed gross income of that year. Another is to increase the statutory repairs allowance from 12½ per cent. to 25 per cent. of rental income. These are not new proposals, but for the first time they are supported statistically. The valuable material collected by Dr. Denman and his associates at Cambridge is published in a way that makes valuable reading for anyone connected with landed property.

Winding-up Costs

THE PROCEDURE OF the last sixty years, under which the Chief Clerk in the Companies Winding-up Department has conducted the taxation of costs in the compulsory winding-up of a company, has been held to be out of order. The decision was made by Mr. Justice Wynn Parry in the Chancery Division on July 9. He held that in spite of the long usage the proper official was the Companies' Registrar of the High Court, not the Chief Clerk of the Department. The taxation of costs has to be carried out by a taxing officer as defined in rule 1 of the Companies Winding-up Rules, 1949, that is, "the officer of the Court whose duty it is to tax costs in the proceedings of this Court under its ordinary jurisdiction." The word "Court" in this definition was held to mean the Chancery Division of the High Court, and once that was appreciated it had to follow that the Court could not mean the Companies Court or any Court whose sole jurisdiction arose under the Companies Acts.

Although there is legal sanction for the use of the term "Companies Court" (see, for example, rule 4 (1) of the Rules of the Supreme Court (Companies) (No. 2), 1948) there is no express provision for the exercise of taxation functions by the company specialists of the Winding-up Department. The person whose duty it was to tax costs in the High Court could only be one of the taxing masters of the Taxing Office, but the Companies Registrar of the High Court is, by rule 4 (3) of the Companies (Winding-up) Rules, 1949, given the powers and duties of a taxing master. It follows that no legal basis exists for the practice which has for so long obtained in the Companies Winding-up Department.

Mr. Justice Wynn Parry came to this conclusion with regret as the practice had worked well for so long. What was to happen in future was, he said, a matter of policy with which he was not concerned. It should be a simple matter to put the condemned practice on a legal footing for the future. Such a step would appear to necessitate an amendment of the Companies (Winding-up) Rules by the Lord Chancellor, with the concurrence of the President of the Board of Trade, rather than a new rule made by the Rule Committee of the Supreme Court.

Depreciation of Telephone Plant

TO STRENGTHEN THE depreciation account against the increased cost of replacing telephone plant, the Post Office during the years 1946 to 1954 made special provisions of some £16 million, over and above the amount of depreciation on a straight line basis on historical costs. The additional provision in 1953–54 was £1.5 million but the Post Office estimates that this sum would have to be increased by £11 million if the provision for that year were based on replacement costs; moreover, a further provision of £12.5 million would be necessary to make good the omission in past years to provide depreciation on replacement costs.

The question of the depreciation allowance is so closely linked with wider policy questions that it cannot be considered in isolation; it is in fact now under review by Ministers. The Public Accounts Committee says in its first report of the session 1955–56 that in these circumstances it refrains from commenting on the adequacy of the depreciation allowance but adds that the proper charge to be made in the accounts ought soon to be decided. In then mentioning that the accounts "purport to show the financial results on a commercial basis of the operation of the service," the Committee seems to hint that in its view depreciation should be made on replacement costs.

Occupation of Farms by Personal Representatives

MOST TENANCIES OF farms require the tenant to be in personal occupation. If there are joint tenants or if the tenancy becomes vested in executors or administrators, does such a covenant require personal occupation by every person falling within the description of "the tenant"? In the recent case of *in Re Lower Onibury Farm* [1955] 2 A.E.R. 409, while the point was not explicitly decided by the Court of Appeal the decisions on other questions raised were based on the assumption that the covenant had to be construed literally, to require personal occupation by each and every "tenant."

The judgment thus has the effect that a covenant in these terms runs with the land, and is binding on

every person constituting, by himself or with others, "the tenant." Only personal occupation can avoid a breach of the covenant. The obligation is unaffected by the fact that the circumstances may make literal compliance inconvenient or impracticable or, indeed, impossible. It follows that the covenant would of necessity be broken if a trust corporation were appointed by the tenant-testator, for physical occupation by the corporation would be an impossibility.

Accordingly, if a covenant of the kind in question is contained in the lease of a farm, executors and trustees under a will of the farmer-tenant should be given the necessary power to carry on the farming business of their testator and themselves to enter into the personal occupation of the farm, so as to preserve the tenancy.

In the case *in Re Lower Onibury Farm* it was alleged that while the legal tenancy was vested in the executors and trustees under the will of the survivor of the two joint tenants to whom the lease had been originally granted, only one such trustee had to the knowledge of the landlord personally occupied the farm. This state of affairs had continued for some 27 years, when upon the death of this trustee, the farm was occupied by the beneficiary under the will of the survivor of the two original joint tenants, but not by the sole surviving trustee, in whom the legal estate in the tenancy was vested. The landlord objected to the occupation, contending that the covenant was being broken, since this trustee was now "the tenant" and personal occupation by him was necessary under the covenant.

The Court of Appeal ruled that at the most there had been merely an acquiescence in a partial breach of the covenant. While the tenancy was vested in the executor-trustees, the landlord had been satisfied by the personal occupation of only one person, who could be regarded as the tenant. However, he did not thereby give a release or waiver of the covenant *in toto*, and was not disentitled to insist on personal occupation by the sole surviving trustee, who now himself constituted "the tenant." Accordingly the covenant was being broken.

The Pulse of the Market

AT THE RECENT North-Western Management Conference, held under the auspices of the British Institute of Management, the Federation of British Industries, and the National Union of Manufacturers, Mr. Martin Maddan spoke on *Taking the Pulse of Your Market*. He dealt first with the use of published data, such as census returns and import and export statistics, but his paper was concerned mainly with sample field surveys made on behalf of an individual manufacturer.

Continuing surveys included the retail audit, showing the volume of stocks and counter sales of different brands, taken every four weeks, and the consumer panel—a cross-section of individuals who recorded their purchases of different brands, showing fluctuations in purchases and the strength of customers' loyalty to particular brands.

Surveys of an *ad hoc* kind could be undertaken to find information on any problem—the design of a product, the shops through which it should be sold, packaging, and innumerable other matters.

The same principles would apply to market research among industrial users.

Time and money invested in research was intended to increase profits, and this meant that action must be taken on the results. Diagnosis of trouble would suggest a cure but regular market research would often prevent the trouble.

O. & M. in the Metropolitan Boroughs

THE ANNUAL REPORT for 1954–55 of the *Organisation and Methods Committee of the Metropolitan Boroughs* says that generally speaking a specific O. and M. assignment can offer a local authority better results than a general survey. Although it has not abandoned work on general assignments—a new report on off-set lithographic printing has been much sought after by local authorities considering the possibility of setting up their own printing department—the Committee has concentrated much more upon specific reviews in constituent authorities. If all the recommendations put forward in the reports are accepted, the savings will exceed £40,000 a year when the schemes are fully implemented. But the Committee emphasises that, while usual, savings cannot be guaranteed. Sometimes a review recommends extra staff to improve a service or confirms the existing arrangement as efficient. The report of the Committee for the previous year was reviewed in ACCOUNTANCY for October, 1954 (page 368), and further information was there given about the work it undertakes.

Shorter Notes

Accountancy Firm Criticised by Registrar

At a public examination in bankruptcy last month the Halifax Registrar, Mr. G. S. Charlesworth, rebuked a local firm of accountants for being "impertinent" in their correspondence with the Bradford Official Receiver. Asked by the Receiver for information about money paid to them by the debtor, they had replied: "We do not think it is necessary for you to have the accounts requested." Later they added: "We are pleased to note that you have no wish to set up protracted correspondence in this matter. We have no intention of allowing that to happen." Mr. Charlesworth commented that it was a most impertinent remark and he did not think the Receiver had been given the information to which he was entitled. It was only by threatening to bring the accountants to Court that the account was submitted at all.

A Clearing House for Grocers

It is proposed to set up a clearing house to which wholesale grocers will make one monthly payment instead of sending numerous cheques to their separate suppliers and from which each supplier will receive one monthly settlement instead of having cheques from all the wholesalers supplied by him. *The National Federation of Wholesale Grocers*, which suggested the scheme, estimates that the average wholesaler, who sends out some 600 cheques to suppliers each month, will reduce his costs of payment from about £40 a month to about six guineas.

EDITORIAL

Roses Rather Than Primroses

A FAIR sized lump of coal costs a farthing more than it did last month. The Stock Exchange is in full boom. The railwaymen are spending their wage advance. Other workers are waiting only until the holidays are over before claiming and spending theirs. The banks exhort the reader of the correspondence columns of *The Times* please not to embarrass his bank manager by demanding credit, but the student of the City advertisements on a later page can stag a new issue out of an existing bank overdraft and make a profit of 70 per cent. overnight. The Chancellor of the Exchequer said some months ago that he feared we might be treading the primrose path, but the foliage is a luxuriant summer one and the way ahead is overgrown. The inflation is without doubt upon us. What shall be done before it gets worse?

It has become a commonplace to say that the Government is committed to rely mainly upon monetary policy in quelling any inflationary pressure. The difficulty is to know precisely what is meant by "monetary policy." A rise in Bank Rate is a part of monetary policy, but if it is a timorous rise, not backed by action to make a higher level of interest rates effective all round, then monetary policy as a whole has not been enlisted to resist the inflation. In 1951 and 1952, the rises in Bank Rate were very much of this timorous nature, and even the last rise six months ago was not followed by any resolute attempt to make credit really hard. The interest rate in many sections of the market has been low in relation to the continuing insistent demand for money. It is true that recently some interest rates have at last moved up behind the February increase in Bank Rate. A local authority has to pay at least $\frac{1}{4}$ per cent. more than it did a few weeks ago for capital borrowed from the official source, as much as $\frac{5}{8}$ per cent. more if it borrows short. Anyone prudently putting money aside for future payments of taxation can earn in interest on tax-free tax certificates more than ever he could before. But these advances in interest rates were not only belated, they covered only part of the field. Restrictions on hire purchase are of even more limited scope—only some hire purchases are affected and only a very limited part of consumer demand is in any event financed in this way. Most important of all, bank advances were growing throughout the first half of this year and no effective action, as distinct from half-hearted action, is even now being taken to cut them down. (We write before the Chancellor's economic statement in the House of Commons on July 26.)

The funding last month of £100 million of bank advances to the nationalised gas industry into a longish-term loan offered the occasion for a determined effort to bring monetary policy in its wider sweep to the aid of Bank Rate. But the opportunity was unfortunately not taken. The terms of the loan were pitched so finely that the investing public was not much interested in taking it up. Thus, with "candle-end saving" zeal, the authorities gained a few shillings per cent. on the interest rate of the issue—but at the expense of leaving much of it to be taken up by Government Departments, instead of by the public. And the result is that, instead of saving by the public being stimulated—a disinflationary effect—the banks are provided with the wherewithal for further lending, by being handed liquid assets in the shape of the Treasury Bills sold by the Government to raise the cash to take up the stock issued by its near relative, the Gas Council!

Unless "monetary policy" is interpreted broadly and full pressure is brought to bear, in whatever market, to make money harder, then we stand a serious risk of running into a crisis of the balance of payments later this year. For while internal prices are rising—not only the prices of goods but the price of labour as well—placing our export markets in some jeopardy, the prices of the raw materials we buy are also on the move, in an upward direction. We still run some risk of difficulties in the balance of payments, even if monetary policy is rigorously followed. The Government, after having placed its faith in that policy, should at least give it proper trial by deploying it in its full strength and in all sectors of the economy. But it is not yet clear that monetary policy, even deployed in this way, can decisively defeat an inflation. For even if interest rates should rise markedly throughout the economy, and even if the flow of bank credit should be stemmed, it does not follow either that the wage inflation will come to an end, or that rising import prices will not force prices at home to rise also. The velocity of circulation of money is these days quite volatile and might well rise in opposition to any curtailment of the quantity of money. But, however that may be, if monetary policy is pursued but pursued at half-cock, we have the worst of both worlds.

It is necessary to be clear what would be implied if monetary policy were a failure or, what amounts to the same thing, were not given a full trial. All the time the inflationary pressure continued, the least unpleasant outcome would be that the Chancellor would be forced back to a policy of budgeting for a surplus. In this way he might extract a large enough part of money incomes from the spending of the public and businesses (or, in other words, might stimulate total saving sufficiently) to frustrate the inflation. But the reversion to fiscal policy, in contrast to monetary policy, would mean higher taxes and would run directly counter to Mr. Butler's attempts to keep the economic climate sunny and rainless by reducing the tax burden. If even this fiscal policy were not effective, a still less congenial outcome might await us—the re-emergence of controls to keep consumers' and producers' demands in check.

Curbing Trade Restraints

By BRINLEY THOMAS, M.A., PH.D.

(Professor of Economics at University College, Cardiff)

THE MONOPOLIES and Restrictive Practices Commission has issued a number of reports on particular trades; but its most recent—*Collective Discrimination: a Report on Exclusive Dealing, Collective Boycotts, Aggregated Rebates and other Discriminatory Trade Practices* (Cmd. 9504)—is unique in several ways and may well prove to be a turning-point. Here for the first time the Commission does what it is empowered to do under Section 15 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948: it brings a wide range of industries under review and examines the effect on the public interest of certain business practices. It has moved from the particular to the general. In previous inquiries, the Commission's quarry was always monopoly, defined as a trade in which one firm or a group of firms in collusion supplied at least one-third of the market. In this latest analysis its attention is not confined to "monopoly conditions" in that sense.

Furthermore, the Commission is interested only in collective arrangements—those between two or more traders, whether or not they are legally enforceable. For an inquiry under Section 15 of the Act, the Commissioners were unable to avail themselves of the statutory power to oblige firms to disclose information; this did not handicap them, for representatives of the business world were generally co-operative in supplying the facts called for.

It is important to be clear on what the Report does not deal with. It is concerned with agreements about goods, not services, and it excludes arrangements affecting exports while including those affecting imports. One of the well-known types of monopoly is left out—the very large firm which has almost a complete grip on a particular market is of interest only if it has arrangements with other traders. The following are also excluded: "sole agency" agreements, agreements between the owner of a patent or trade mark and those who have had a licence for using it, an agreement between one particular retailer and his customers and agreements with the sole purpose of allocating markets territorially. The Commission was not asked to assess the merits and defects of "common prices", or resale price maintenance as such: its job was to consider whether arrangements between two or more traders to adopt or enforce such practices are in the public interest or not.

At first sight it would seem impossible to reduce the jungle of collective agreements to any sort of order. However, the report is able to bring most of them under one or other of six categories. These may be summarised as follows. (1) A group of sellers gives exclusive favours to certain buyers without requiring them to do anything in exchange. (2) The favoured buyers have to agree to give their custom exclusively to the suppliers making the agreement (exclusive dealing). (3) Agreements about conditions on which goods supplied are to be resold. (4) Agreements on ways of enforcing conditions such as resale price maintenance. (5) Agreements among buyers to give favours to certain sellers by buying exclusively from them, with no obligation on the part of the sellers to discriminate in favour of the buyers. (6) Agreements giving buyers a rebate varying with the amount which each customer buys from all members of the association of suppliers (aggregate rebates).

The report gives a detailed factual account of the operation of agreements in each of these categories and sets out the arguments for and against them. The majority report, signed by the Chairman, Sir David Cairns, Q.C., Professor G. C. Allen, Mr. T. A. Birch, Mr. C. N. Gallie, Mr. C. H. B. Gifford, Professor Sir Arnold Plant and Sir Richard Yeabsley (Vice-President of the Society of Incorporated Accountants), finds that nearly all the agreements within its reference are against the public interest. Three members of the Commission, Sir Thomas Barnes, Mr. Brian Davidson and Professor A. L. Goodhart, express flat disagreement with their colleagues on the most fundamental points; and Mr. Gifford is at variance with the majority on one particular matter only.

The argument of the majority report is strong and unhesitating. All the arrangements examined are found to restrict competition in one way or another. Business representatives had defended them by saying that they guaranteed a proper standard of service by distributors. To this, the majority report retorts that the agreements "are not essential for this purpose and do not in fact always achieve it," that "the protection they afford to existing distributors may lead to the provision of a higher standard of service, at a higher price, than many consumers wish for," and that "they impede the development of more economical systems of distribution" (pages 27–8 of the report). Picking out traders for favourable treatment means creating a privileged group protected against competition from outside. Approved lists with arbitrary rules determining who shall be admitted are open to serious objection: the majority report states that " . . . a manufacturer should be able to safeguard his interests—as many in fact do—by his own arrangements with individual distributors without being required to limit his trade to those who have been collectively approved" (page 82).

In making its indictment the majority report is careful

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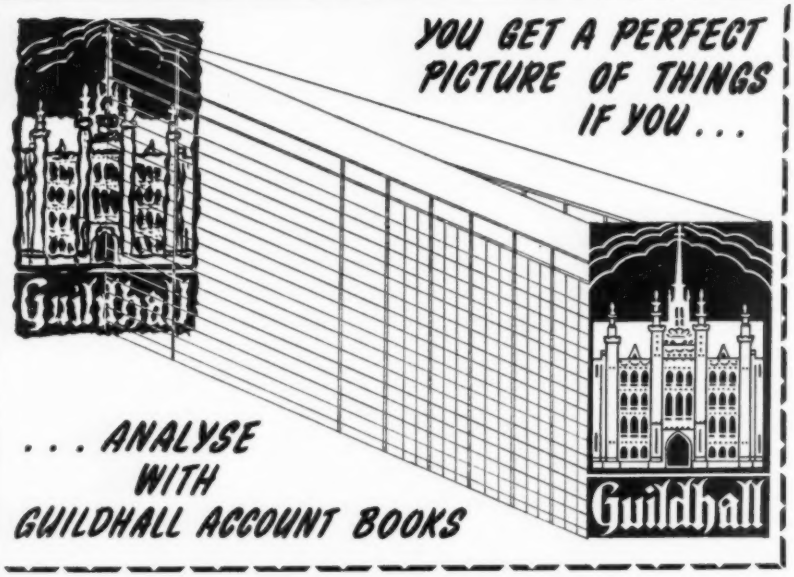

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to reiterate that it is not passing judgment on the advantages or disadvantages of resale price maintenance itself. While preserving a correct neutrality on that issue, it directs heavy fire at the maze of collective arrangements designed to adopt or enforce resale prices. It stresses the uniformity and rigidity which they impose on the structure of business; enterprising traders who want to try out new methods which will reduce costs find themselves facing the massive opposition of an entrenched group of firms who are well satisfied with things as they are. "The final verdict on which is the better method should be left to the market, where the consumer can exert his influence, and should not be reached by a collective decision of traders which prevents him from doing so" (page 82). The paramount importance of freedom of consumers' choice is a major theme of the argument; buyers must be given freedom to choose between better service at a higher price and a lower price with less service. Sharp criticism is levelled at the powers exercised by ". . . private tribunals whose procedure cannot provide the safeguards which public justice requires" (page 83). The system of aggregated rebates is found to be objectionable on the ground that it fosters the spreading of orders in ways which impede efficiency.

In certain circumstances the majority is prepared to allow exceptions—for example, where the consumer is not able himself to assess the standard of service he has a right to expect, where the agreements are necessary to sustain an industry of strategic importance ". . . or one which is peculiarly liable to competition from dumped imports" (page 84) or where the arrangement enables small firms to compete effectively against a very big firm which is itself employing restrictive practices.

Having found that the various arrangements analysed are nearly all against the public interest, the majority recommends that legislation be introduced to prohibit them. The practices should be clearly defined, and they would thus become a new criminal offence. The legislation should declare the grounds on which exceptions might be granted and the procedure for granting such exceptions. A general prohibition of this kind would be something new in this country, though it would be less severe than the laws already prevailing in some other countries.

The minority report takes quite a different line. It does not agree that the evidence heard by the Commission leads to the conclusion that these practices should be generally prohibited. On the question of collective arrangements to enforce resale prices, the minority points out that ". . . the only question here to be considered is whether collective action, as opposed to individual action only, to enforce resale prices individually prescribed is or is not consistent with the public interest" (page 89). The three Commissioners make their position clear in the following words. "In principle therefore we see no objection to persons having like interests joining together to secure the enforcement of lawful obligations to which one of them is a party. Equally we do not feel that the retailer who sells below (or above) the prescribed resale price is deserving of any sympathy. Either he has broken one of the conditions of sale on which he bought the goods, or he has knowingly bought them from a wholesaler who has done so. He does this in order to gain an advantage over his competitors who honour their obligations. It follows that we regard the greater effectiveness (which is accepted by our colleagues) of collective enforcement, as distinct from individual enforcement, as a powerful argument in its favour" (page 89). The action proposed by the minority report is that the relevant arrangements and agreements be published in detail and registered with the Board of Trade or some other authority. This, it is contended, would ensure salutary publicity and make it possible to select agreements for detailed scrutiny.

Seldom have the *pros* and *cons* of a complicated subject been set out as clearly as in this extremely important document. There seems to be every reason for the evidence and information presented to it to be published as well. These intricate matters have a direct bearing on the pockets of consumers no less than on the productivity of our economy. Legislation to prohibit the offending practices would not be a new instalment of niggling controls: on the contrary it would get rid of a whole mass of entangling bindweed which is throttling healthy and vigorous growth. There is ample precedent to be found in the laws prevailing in the United States, Canada and Sweden. In this sphere the State would be stepping in to ensure the maintenance of conditions in which reasonably free and fair competition can prevail.

Unfortunately there is one serious weakness in the report, and it is only partly caused by the restricted terms of reference. The formidable arguments of the majority are directed against collusive devices, against particular *methods*. They are not concerned with business *objectives*, such as resale price maintenance. Large monopolistic firms dominating their respective markets, without any agreements with other producers, can indulge in all the restrictive practices in the world and they will incur no censure within the terms of reference of this report. But if the recommendation of the majority report were accepted, and legislation went no further, the Act prohibiting collective discrimination would simply transfer restrictive practices from one sector of the economy to another. Single-owner monopolies would retain the old armaments and equip themselves with more modern ones, and the victory for freedom of consumers' choice would be by no means certain. Business methods are only part of the problem; of more decisive significance in many cases are business objectives. If we were to contemplate a general Act prohibiting nefarious practices, we should widen our scope to bring in such things as resale price maintenance, whatever methods are used to adopt or enforce it. Alternatively, the operation could be done in two stages, first an Act to cope with collective discrimination as proposed by the majority report, and, secondly, without delay, a further Act to deal with the other offending practices which the commission had to leave out.

The action to be taken by the Government was announced in the House of Commons on July 13 by the

President of the Board of Trade. Mr. Thorneycroft detected in the majority report "a certain odour of criminality"; he was against branding the operators of restrictive practices as criminals, and saw no virtue in a general prohibition subject to appeals. Instead he has taken Swedish practice as his model. Under the Bill to be introduced various agreements, including some not covered by the report of the Monopolies Commission, will have to be registered; there will be an independent tribunal to hear the case of the associated firms, and the onus of showing that the practices are in the public interest will be "fairly and squarely upon the shoulders of the men who wish to use them," to quote the Minister. If the verdict of the tribunal goes against the firms, the practice will be banned forthwith; if it decides in favour of the applicant, the practice will continue, subject to any conditions or modifications laid down. The Government authorities will decide the order in which agreements are to be examined. Assuming the most objectionable practices are dealt with first, the plan of the Government may well mean more effective results in the short run than would be possible under the system proposed by the Commission whereby all appeals would have to be heard before the general prohibition could come into force. While against collective discrimination, the Government intends, in Mr. Thorneycroft's words, " . . . to see whether some other method cannot be devised for maintaining prices individually fixed, by taking price-cutters if necessary, in the last resort, to the Courts."

In Sweden, under the system introduced in 1946, there were in 1954 on the register over 1,200 agreements, of which one-third had been cancelled and a good proportion of the remainder modified. We shall have to wait for the Act, as shaped by Parliamentary debate, to see how vigorous and comprehensive British policy is likely to be.

Forged Stock Transfers

[CONTRIBUTED]

"OF ALL THE responsibilities of secretaries of companies, perhaps that of examining transfers of shares is one of the most important. Registration of a forged transfer may expose the company to the risk of an action for damages; and inattention to the formalities required by the Act, the Articles and the general law may involve both the company and the secretary in trouble in a variety of ways." Thus *The Secretary's Manual* (24th edition, page 199).

The recent case of *Welch* v. *Bank of England*, to which reference has already been made in a note (see ACCOUNTANCY, June, page 228) concerns not the transfer of shares in a company governed by the Companies Acts, but the transfer of Consols which are registered at the Bank of England. But a number of the points dealt with by Mr. Justice Harman are relevant to the duties performed by company secretaries in registering transfers.

The story of *Welch* v. *Bank of England* is the not unfamiliar one of the fraudulent trustee abstracting the trust fund, and converting it to his own use. Shortly after the fraud had been discovered its perpetrator died worth nothing.

The subject-matter of the trust fund was a holding of Consols, the registration and transfer of which are now prescribed by the Government Stock Regulations, 1943. These Regulations bear analogies with company practice. For example, Regulation 2 (3), which lays down that the "register shall be *prima facie* evidence of any matters directed or authorised . . . to be entered therein," may be compared with Section 116 of the Companies Act 1948; and Regulation 4 (2), which similarly provides for stock certificates, may be compared with Section 81 of the Companies Act (on share certificates).

The holding in *Welch* v. *Bank of England* amounted to £10,000 and the defaulting trustee, one Hubert William Maude, made away with it in seven separate transactions. These were divisible into three categories:

(*a*) He sold £2,000 of stock by means of a transfer on which he signed his own name and forged that of his co-trustee, Mrs. Welch, the plaintiff in the action. The purchasers drew a cheque in favour of both trustees, and the co-trustee confirmed her endorsement to the collecting bank though in fact her signature as endorser had also been added by forgery.

(*b*) In three transactions, involving £5,000, the defaulting trustee sold the stock by forging his co-trustee's signature to the transfers and obtained the proceeds of sale by forging her signature to authorisations that the cheques in payment be drawn in his favour.

(*c*) In the remaining three transactions, involving £2,500, he forged his co-trustee's signature to the transfer. The cheques for the proceeds were paid into the trustees' joint income account and drawn out again by means of cheques which the co-trustee had signed in blank.

Mrs. Welch claimed that the Bank of England should restore her name to the register as the holder of the stock and that she should be recouped the dividends accrued due on the stock since her name was removed. The basic situation arising as the result of a forged transfer may be

stated simply by a further quotation from *The Secretary's Manual* (pages 216–7):

> A forged transfer is no transfer, and gives the alleged transferee no rights, . . . If a company acts upon a forged transfer and places the supposed transferee on the register in place of the person properly thereon it can be compelled to replace the true owner, restore his shares and pay him any dividends declared in the meantime.

In its defence the Bank took several points, some of which need not be mentioned here. One which may be dealt with briefly was that no action would lie without joining the persons to whom the stock had been sold by means of the forged transfer. After reviewing a line of authorities starting in 1824, Mr. Justice Harman came to the conclusion that the transferees need not be joined.

He also held that the fact that Mrs. Welch and Maude had been joint tenants of the stock did not mean that she was in the same position as him *vis-à-vis* the Bank and therefore unable to complain, as he would have been unable to do, of the loss flowing from his misdeeds. This is a point of some importance, since losses arising from forged transfers often arise where there is a joint holding, as in the present case. Mr. Justice Harman declined to apply the decision of Mr. Justice McNair in the recent case of *Brewer* v. *Westminster Bank*, [1952] 2 All E.R. 650. That concerned the joint account opened with the defendant Bank by two executors. One of them forged the signature of the other (the plaintiff) to a series of cheques. Mr. Justice McNair held that the obligation owed by the bank to the plaintiff and her co-executor was a joint obligation; the fact that she sued alone was merely a procedural matter, and as both executors could not succeed unless each was in a position to sue her action failed. As already mentioned, Mr. Justice Harman declined to follow this decision.

However, he did not find against the Bank in respect of all of the seven transactions, but drew a distinction between the four grouped under heads (*a*) and (*c*) above and the three grouped under head (*b*), though the plaintiff's signature to the transfer had been forged in each case. In the first transaction, under (*a*), the direct cause of the loss to the estate was not forged transfer of the stock, but the fact that the plaintiff had been induced by her co-trustee's misrepresentations to confirm the endorsement which he had forged to the cheque drawn by the purchaser in favour of them; and for that the keepers of the register of stock could not be held liable. In the three transactions grouped under (*c*) the proceeds of sale, though again realised by means of forgery, were in fact paid into the trustees' joint income account, and so, although the plaintiff was unaware of the fact, came under her control. Maude was able to make away with them because she had signed blank cheques on the income account. That may have been done, as it often is, for the convenience of the administration of the trust, but Mr. Justice Harman ruled that "in these cases . . . the plaintiff must be treated as having come into possession of the proceeds, and that her negligence in providing her co-trustee with blank cheques was the direct cause of the loss." This line of defence was not open to the Bank of England in respect of the three transactions grouped under (*b*) because in each of these transactions the proceeds went direct and without her intervention into an account, not that of the plaintiff. The Bank did contend in respect of these transactions that the conduct of the plaintiff as a customer of the Bank in respect of the joint holding was so negligent as to disentitle her to relief. The law is that no negligence on the plaintiff's part could avail the Bank unless it amount to conduct estopping the plaintiff or, alternatively, to ratification of the defaults of her co-trustee. Moreover, the loss must be a direct result of the negligence. Mr. Justice Harman held that the facts did not justify a ruling that the plaintiff had been negligent.

Maude had committed his forgeries between 1947 and 1951. After they had been discovered correspondence passed between the plaintiff and the defendant and on April 5, 1954, the defendants notified their refusal to restore the plaintiff's name to the register. The action was begun on April 30, 1954. The defendants raised Section 21(1) of the Limitation Act, 1939, under which no action could be brought in respect of acts done in pursuance of a public duty unless commenced before the expiration of one year from the date on which the cause of action accrued. (This Section was repealed by the Law Reform (Limitation of Actions, etc.) Act, 1954, though without affecting causes of action which had accrued before the passing of the Act.) Mr. Justice Harman held that the keeping of the register of stockholders was a public duty enjoined on the Bank of England by regulation made in pursuance of an Act of Parliament. But he also held—and this is a point which is of importance to all companies—that time did not begin to run against the plaintiff until April 5, 1954, when the Bank refused to restore her name to the register, and did not begin on the date when the name was removed. But he also based his judgment against the defence under the Limitation Act on the broader ground that "a forged transfer is a mere nullity having no effect on the true owner who still has the property in the stock," so that the Statutes of Limitation cannot run at all.

From a practical standpoint there are only two safeguards that a company can adopt with a view to preventing the registration of forged transfers, and perhaps one may, therefore, consider the paragraph quoted from the *Secretary's Manual* at the opening of this article as rather too positively worded. The two safeguards are: (*a*) the use of specimen signature records and (*b*) the practice of advising a transferor immediately a transfer is presented to the company for certification or registration. As to (*a*) it is submitted that specimen signatures provide little protection against a forgery; signatures change over the years and if the company secretary is to be meticulous it will be necessary to query every signature that differs slightly from the specimen. It is reasonable to expect that a forger would provide for such a contingency and would probably have previously lodged a notice of change of address so that he could intercept any enquiry made by the company. The practice referred to in (*b*) is insisted upon in the case of companies seeking a Stock Exchange

quotation, but the notification to the transferor does not in itself absolve the company from liability arising out of a forgery (*Barton* v. *London and North Western Railway Co.* [1889] 24 Q.B. 77).

It is interesting to note that in *Welch* v. *Bank of England* the principle established in *Sheffield Corporation* v. *Barclay* [1905] A.C. 392 and *Starkey* v. *Bank of England* [1903] A.C. 114 was not disputed and in consequence the Bank was entitled to look to the brokers lodging the forged transfer for indemnity. Such being the case, many companies consider it unnecessary to provide specific protection against forgeries but there are two alternatives open to those which require some form of cover against such losses. The Forged Transfers Acts, 1891–92, permit companies which adopt them to charge a sum not exceeding one shilling per cent. on amounts transferred to form a compensation fund, but this is a comparatively rare procedure. It is far more usual to arrange an insurance policy, either with Lloyd's underwriters or with a reputable insurance company, and a modest premium will provide compensation which will be adequate to meet any claim likely to arise from a forgery or even from the loss of documents or other negligent acts of the servants of the company.

Accountants' Liability

By J. P. EDDY, Q.C.

THERE HAS RECENTLY been a decision in the United States Court of Appeals on the problem of the legal responsibility of accountants for negligence. This is the first case of the kind, so far as I know, in either the United States or the United Kingdom since our own now famous case of *Candler* v. *Crane, Christmas and Co.* [1951] 2 K.B. 164.

The American case, which was decided on June 10 last, affords an opportunity to examine the question whether, in regard to liability to third parties, there is a conflict of principle between the American authorities and the *Candler* case. Certainly the recent book entitled *Accountants' Legal Responsibility* by Mr. Saul Levy—a Certified Public Accountant in the United States and a member of the New York Bar—which was reviewed in ACCOUNTANCY for February (page 76), suggests that there may well be such a conflict.

The *Candler* Case

The effect of the majority decision of the English Court of Appeal in *Candler's* case (Cohen and Asquith, L.J.J., Denning, L.J. dissenting) is that accountants owe a duty of care only to their clients and not to third parties. The underlying reason for this is that, according to English law, the duty arises out of contract and not out of tort. In tort, as distinct from contract, there is a duty to take care only when the result of a failure or omission to take care will cause physical damage to person or property. Such was the effect of *Le Lievre* v. *Gould* [1893] 1 Q.B. 491, which, by the majority decision in the *Candler* case, was held to be still good law.

In the United States, according to Mr. Levy, in the absence of special statutory rules (such as the Federal Securities Act of 1933) there is no liability to third parties for mere negligence. "However," he writes, "the *Ultramares* case did not reverse such authorities as *Glanzer* v. *Shepard* and *Doyle* v. *Chatham and Phenix National Bank*, where it had been held that there would be such liability if there was a sufficiently intimate relationship between the third party and the defendant. Thus we still have the possibility of liability for mere negligence if the particular third party, or a limited group of which he was a member, was known to the accountant with sufficient definiteness as a party for whose primary benefit the certified statement of the accountant was intended."

It is of interest to observe that Lord Cohen, then Lord Justice Cohen, in giving judgment in the *Candler* case, cited the *Ultramares* case (*Ultramares Corporation* v. *Touche*, 1931, 255 N.Y. 170, 174 N.E. 441), and said he was glad to find that the conclusion which he had reached on the basis of the English authorities seemed to accord with the opinion of so eminent a master of the common law as Cardozo, C.J.

The *Ultramares* Case

What was the position in the *Ultramares* case? One thing at least would seem to be clear that the facts do not indicate that "sufficiently intimate relationship" which Mr. Levy suggests may be a condition precedent to liability to a third party. I take them from the judgment of Cardozo, C.J.:

> In January, 1924, the defendants, a firm of public accountants, were employed by Fred Stern & Co., Inc., to prepare and certify a balance sheet exhibiting the condition of its business as of December 31, 1923. They had been employed at the end of each of the three years preceding to render a like service. Fred Stern & Co., Inc., which was in substance Stern himself, was engaged in the importation and sale of rubber. To finance its operations, it required extensive credit, and borrowed large sums of money from banks and other lenders.
>
> All this was known to the defendants. The defendants knew also that in the usual course of business the balance sheet when certified would be exhibited by the Stern Company to banks, creditors, stockholders, purchasers or sellers, according to the needs of the occasion, as the basis of financial dealings. Accordingly, when the balance sheet was made up, the defendants supplied the Stern Company with thirty-two copies certified with serial numbers as counterpart originals.

"Nothing was said," proceeded Chief Justice Cardozo, "as to the persons to whom these counterparts would be shown, or the extent

or number of the transactions in which they would be used. In particular, there was no mention of the plaintiff"—Ultramares Corporation—"a corporation doing business chiefly as a factor, which till then had never made advances to the Stern Company, though it had sold merchandise in small amounts. The range of the transactions in which a certificate of audit might be expected to play a part was as indefinite and wide as the possibilities of the business that was mirrored in the summary."

The learned Chief Justice went on to say that the defendants owed to their employer a duty imposed by law to make their certificate without fraud, and a duty growing out of contract to make it with the care and caution proper to their calling. To creditors and investors to whom the employer exhibited the certificate the defendants owed a like duty to make it without fraud, since there was notice in the circumstances of its making that the employer did not intend to keep it to himself. "A different question develops when we ask whether they owed a duty to these to make it without negligence. If liability for negligence exists, a thoughtless slip or blunder, the failure to detect a theft or forgery beneath the cover of deceptive entries may expose accountants to a liability in an indeterminate amount for an indeterminate time to an indeterminate class."

The Two Earlier Authorities

In the course of his judgment Chief Justice Cardozo commented on the two other authorities to which Mr. Levy refers in the passage from his book which I have cited—*Glanzer* v. *Shepard*, 1922, 233 N.Y. 236, 135 N.E. 275, and *Doyle* v. *Chatham and Phenix National Bank*, 1930, 253 N.Y. 369, 171 N.E. 574.

Of the first of these cases the learned Chief Justice said:

> In *Glanzer* v. *Shepard*, the seller of beans requested the defendants, public weighers, to make return of the weight, and furnish the buyer with a copy. This the defendants did. Their return, which was made out in duplicate, one copy to the seller and the other to the buyer, recites that it was made by order of the former for the use of the latter. The buyer paid the seller on the faith of the certificate which turned out to be erroneous. We held that the weighers were liable at the suit of the buyer for the moneys overpaid.

"Here," said the learned Chief Justice, "was something more than the rendition of a service in the expectation that the one who ordered the certificate would use it thereafter in the operations of his business as occasion might require. Here was a case where the transmission of the certificate to another was not merely one possibility among many, but the 'end and aim of the transaction,' as certain and immediate and deliberately willed as if a husband were to order a gown to be delivered to his wife, or a telegraph company, contracting with the sender of a message, were to telegraph it wrongly to the damage of the person expected to receive it."

Doyle v. *Chatham and Phenix National Bank* was a case in which a trust company was a trustee under a deed of trust to secure an issue of bonds. It was held liable to a subscriber for the bonds when, in certifying them, it negligently made a misrepresentation of fact. Said Chief Justice Cardozo of this case: "A representation by a trustee intended to sway action had been addressed to a person who by the act of subscription was to become a party to the deed and a cestui que trust."

Test of "Primary Benefit"

The recent decision of the United States Court of Appeals was in a case in which the plaintiff, Commercial Investment Trust Financial Corporation, sued the firm of Barrow, Wade, Guthrie & Co., Certified Public Accountants, to recover for losses incurred by the plaintiff through the bankruptcy of its debtor, Manufacturers' Trading Corporation (M.T.C.) in October, 1948. The plaintiff appealed from the entry of judgment in the District Court for the Southern District of New York in favour of the defendants on the verdict of a jury that the defendants had not made false or misleading representations as to the financial condition of M.T.C. in their audits of the debtor's books.

In the course of its lending business the plaintiff had lent M.T.C. some $1,440,000 on October 17, 1945, and had failed to call in its loan thereafter in alleged reliance on defendants' statements concerning the financial condition of M.T.C. The plaintiff claimed that the defendants' audits were inadequate for failure to disclose over-valuation of M.T.C's loans to its debtors.

One of the alleged causes of action—the third count—was ordinary negligence in the preparation of the post-loan audits. In respect of this claim, the jury were directed that in order to establish a duty to the plaintiff, they had to find that the defendants' reports had been made for the "primary benefit" of the plaintiff.

As to this, Chief Judge Clark, in giving the judgment of the Court of Appeals affirming the judgment of the court below in favour of the accountants, said:

> Whatever the propriety of this charge, and we incline to think it was correct—see *Ultramares Corporation* v. *Touche*; *O'Connor* v. *Ludlam*, 302 U.S. 758—it could not have affected the outcome of the case. It is true that the jury indicated that its finding of absence of duty under count three, with which we are here concerned, was predicated on the emphasis on primary benefit. The jury went on, however, to find that defendants' representations had not been negligently false or misleading, and this second finding alone bars recovery on this count.

(*O'Connor* v. *Ludlam*, 1937, 302 U.S. 758, was an action by a group of persons who had purchased shares in alleged reliance upon a balance sheet prepared by the defendants, a firm of Certified Public Accountants.)

The learned judge said the plaintiff argued vigorously the importance of the case in holding accountants to strict liability for their audits, and, in effect, for increasing that liability. "But we do not believe," he added, "we should attempt to go beyond the standards of the market place, as reflected in current judicial decisions. So when, after a fair and carefully conducted trial under existing law, a

jury has found for the defendants, the function of the courts should be considered fulfilled."

The United States Court of Appeals was "inclined to think" that the direction to the jury in this case—that, in order to establish a duty to the plaintiff for ordinary negligence, they had to find that the defendants' reports had been made for the "primary benefit" of the plaintiff—was correct. It would seem, then, that if an accountant prepared accounts expressly for the information and guidance of a third party—as in the *Candler* case—and such accounts were carelessly prepared, and were acted upon by the third party to his detriment, the accountant might well be held liable in the United States. But *Le Lievre* v. *Gould* and the *Candler* case stand solidly in the way of any such result in England.

The Accountant on Television

By Mada Yarrum

FOR MANY YEARS, during which it has become my habit to work without time-limits, without noticing time, and even to leave urgent work until the last minute, I have found one sure device for emptying my head of figures and turning from work to play. It is probably wrong to use the word "work." Work should become play.

On the theme of work being play and *vice versa*, I read recently of an American professional golfer who said that to master a golf course one must hate it. He added that by hate he did not mean dislike. One hates only until one has beaten or overcome one's opponent. Strangely enough, I turned from golf about the age of twenty-one in order to press on with guinea-chasing, but some twenty years later, I began playing occasionally and thence in my August holidays at North Berwick. I would set out to beat the old course. The secret was to hate it and its bunkers and wind and all the rest. In my modest way, I went out to break 80 twice. Having done two 79's in the last week of August, my interest ceased—for another year. *Now*, under the law of decreasing returns, perhaps influenced by increasing age, I cannot work up enough hate to enable me to break 80. About the twelfth hole, my thoughts stray to the large whisky awaiting me in the club-house and hate subsides.

I believe strongly in leaving work to the last minute. It is against time that one does the best work. Of course, it isn't really the case that one leaves the job entirely to the last minute. Through the days and nights as one sits or works, one's brain is simmering and the problems are being solved. One talks in silence to oneself, arguing fiercely with an unseen or imaginary opponent. Then, refreshed, alive with a sudden urge, about 10 p.m. or midnight, one sits down, tackles the job and rushes through it. Problems disappear. Perhaps one or two remain. One finishes the job and notes down the one or two problems still left. They must be allowed to simmer. The solution will come. One knows, by experience, that it will come.

Having put in a burst of two or three hours' work around midnight, my device for clearing my mind is to pick up a detective or murder story. It is desirable to have a couple of murders in the first ten pages. One is deep in a new problem in a matter of minutes. It matters not if one never finishes the story. It has served its purpose.

In such reading, it has astonished me how often an accountant has appeared. Most of them have been quaint fellows. Only on one occasion has the accountant been the criminal.

Now, I come to television—as a device for emptying the mind! It is my habit to sit in at "In Town To-night", an example of television's best efforts—real people, natural, not all actors, spontaneous, lots from other lands. "In Town To-night" was good on sound but it is better on television. There followed "In Town To-night" on a recent Saturday, a short play, the last of six short plays by Lester Powell, billed under the general name "Terminus." The last episode was called *Trial Balance*.

Very naturally, being a teacher of sorts on accounting, I wondered if *Trial Balance* was being used in a book-keeping or accounting sense. My doubts were soon resolved. It was: the camera showed the principal arriving at his office one morning and was focused on his name-plate, which made quite clear that "James Ramage & Co." were practising accountants. The author interested me and made me think with amusement of some of my good friends who seem to collect name-plates of companies and have a formidable array outside their offices. (Incidentally, it would be nice advertising and perhaps create quite an impression on the ignorant if one registered a couple of dozen of £5 companies merely for the purpose of sticking up name-plates.)

Our principal, James Ramage, was a tough guy. His name-plates indicated that he was a pushing fellow—*Ramage Properties Ltd.*, *Ramage Industries Ltd.*, *Ramage Development Ltd.*, and so on (the author of the play will excuse me if I haven't got the names right; I did not have an audit notebook beside me and I had indulged in a gin and French and a bottle of beer; it was Saturday, I apologise).

James Ramage barged in, shaking the place up (just as I like to think I do myself). As he walked through staff, he rapped out commands and questions. I thought the staff stood up to it all remarkably well. One of the strange events, which still mystifies me, was that, shortly after James got settled down at his desk, a lady appeared. She was pleasant but worried or harassed; she had that patient, long-suffering look on her face, which harassed accountants don't want in their women folks. She turned out to be Mrs. James Ramage. Extraordinary, I thought. How on earth had she got there? (I gave my wife a glance and silently thanked my lucky star that she had never acquired the habit of being at my office at or around the time of my arrival in the morning. After all, the decencies of life must be observed. There is a time and place for everything—even a wife.)

It turned out that Mrs. James was there to plead for leniency on behalf of an employee who had embezzled £100. (I began to wonder if that could happen in my office. I decided not. We never keep any available money or the like in the office for longer than a few hours. The guiding principle of my life flashed across my mind—"Don't keep clients' money. Pass it on the same day as you receive it.")

In the ensuing conversation, the lady showed a quite remarkable knowledge of accounting and the underlying theme of the play emerged from her words—"Human relationships are not items in a trial balance." (There flashed across my mind instances of trial balances that wouldn't balance and control accounts,

in which discrepancies had to be written off. How lively the brain is! I suppose between sentences in the play, my brain flushed a dozen or more thoughts and sentences and still kept up with the play.)

Everything came right in the end. James Ramage came to his senses. At a later stage Mr. and Mrs. James kissed and went off arm-in-arm. I sat for a time wondering, somewhat late in the day, but I consoled myself with the thought of my wife's interests—gardening, tapestry, budgerigar breeding, violin—and decided she had more than enough to make up for my, now somewhat historical, preoccupation in work.

One of the amazing examples of ability to concentrate was given by James Ramage. He used a dictating machine and when well into a long letter or report to a client on investment in various concerns, he was interrupted. He left the machine, which, incidentally, was some yards away from his desk—his habit was to walk to the machine and stand to dictate. (Incidentally, I have discarded two machines, because I found them useless when I needed both hands to find, pick up and refer to papers and books.) James showed the remarkable ability of being able to return to the machine and, without any playing back, to resume his dictation with the exact word. I suppose that is artistic licence or possibly he had a remarkable secretary.

It was a phrase in his resumed dictation, which opened the eyes of James Ramage. He said—"In regard to *Blank Industries*, the last trial balance showed some remarkable discrep . . . " He stopped. His eyes widened and the light of understanding shone out from them. (I thought to myself—the light that shines out from the eyes of my 75-odd Final students, when, in the course of a lecture, I indulge in one of my favourite devices for bringing home understanding and peace and contentment to these industrious, keen, intelligent and hard-working men.)

As an accountant, of course, I can't allow the author of the play to get away with his error. A trial balance would not show up things as James Ramage was made to speak. It would require a balance sheet (that document which is despised by some accountants); perhaps, however, it was the practice of James Ramage's office to show the trial balance additionally in columns to the right, in the form of a quick balance sheet and profit and loss account.

Nevertheless, I was entertained for my half-hour and again, for another half-hour, in writing this. Television, like murder stories, had served its purpose!

More About the Royal Commission Report*

Savings

The existing reliefs for savings are life assurance relief and the reliefs for superannuation. These were dealt with in the Report of the second Tucker Committee. The Royal Commission discusses further the treatment of lump-sum benefits on retirement. They state: "Probably the root of the difficulty lies in Acts of Parliament that have set up statutory schemes without adequate attention to the principles which they give effect to." The Commission concentrates on the capitalisation of superannuation and regards it as not in accordance with the principles of superannuation relief. In view of the existing practice it recommends that the limit of capitalisation to members of existing schemes be £10,000, but to new entrants £2,000. It endorses the recommendations 6 and 7 in the second Tucker Committee's Report, i.e. (6) that employers' contributions to unapproved schemes should be allowed as trading expenses, either in the year of payment or spread forward, but employees' contributions should not qualify for expenses relief and investment income should not be exempt; (7) employees should be taxed on their employers' contributions or notional contributions to unapproved schemes.

Covenants

Although the Board of Inland Revenue concluded that it was not at present necessary to propose any further conditions to limit transfers by covenant, the Commission thought otherwise. In reviewing the background, the Commission says: "an income is taxed, generally speaking, without allowance for the fact that part of it is regularly paid over to this or that recipient or for this or that purpose, as rent or wages; and there is only a fine distinction between a charge on income, which is treated as reducing it, and an application, which is not. In some aspects it is important that the line should be drawn correctly." It is noted that so long as income tax remained a flat-rate tax, it was a matter of comparative indifference to the Exchequer whether the burden of tax on an annual payment fell on the payer or the recipient. The 20th century conception of an extensive scheme of graduation changed the picture, leading gradually since 1922 to successive legislation founded on the tests:

(1) Is the legal obligation created by the covenant sufficiently durable in form or time to rank as a real transfer of income?

(2) Is the destination of the money so secured that no part of it can come back, directly or indirectly, to the benefit of the payer?

(3) Are the circumstances such that the general interests of the yield of revenue require some special limitation on the power of an individual to make transfers of his income by covenant?

* An article on the report, describing and commenting on its other recommendations, appeared in our July issue (pages 257/8). In that issue (pages 259/64) we also published a summary of all the recommendations of the majority and minority of the Commission. The numbers within brackets in the present article refer, except where otherwise stated, to the numbers of the recommendations of the majority, as given in our July issue.

It is under the last heading that the 1946 legislation is placed, preventing deductions for sur-tax purposes of covenants in favour of charities, corporate bodies or employees.

If covenants were denied recognition, the owner of property could attain the same effect as a covenant by a transfer of property by deed, retaining a reversionary interest; whereas a person with no property available for settlement, but only earned income, would be the one damnified by the changes. The magnitude of the revenue at stake should not be exaggerated. The Board estimates the annual cost in sur-tax as £m7½ and in income tax as £m5.

Possible further conditions are discussed, but the conclusions are that it is desirable only to render ineffective for tax purposes covenants for the purpose of discretionary trusts (Recommendation (5)) and to require from the maker of a covenant in favour of a child, grandchild or other member of his family, and from the beneficiary, formal declarations as to the absence of any agreement or understanding for the return, direct or indirect, of any part of the benefit (6). The Commission are of the opinion that (6) is necessary to stop existing undertakings which are no better than a fraud on the system.

Charities

The exemptions given to charities are stated, and the definition of "charity" discussed. "Its limits are indeterminate." A good case for reform is debated with the result that the Commission recommends (7) a more restrictive definition. Covenants for charities are discussed and the conclusion reached that there is no special artificiality about those in favour of charities; their validity as tax instruments must be judged in relation to the subject of covenants as a whole. Pure theory might give the tax concession to the subscriber rather than to the recipient, as is done in the United States and Canada (within limits). That is rejected because of the probable effect on incomes of charities and the possible redistribution of donations, and of the administrative work involved.

Compensation for loss of office

Compensation in this sense must be distinguished from an ordinary retirement benefit or a benefit on death before retirement; from lump-sum payments in commutation of pension rights; and from damages for physical injury or other impairment of earning power.

The payments in question are those made to a person (whether as damages after legal action or without legal action) (*a*) by reason of his ceasing to hold an office or contractual post, (*b*) whatever the circumstances of the termination, even if no more than voluntary resignation, (*c*) if the payments are in any sense compensation for losing the profits of the office or post. Abuses have been reported, e.g. the creation of contractual rights in order to be lost; nothing being lost that was ever intended to be retained. The Commission regard all such compensation as unsound in principle; it is remuneration and should be taxed. Likewise, they regard a payment in lieu of notice as something that ought to be taxed (15). The method of taxation presented difficulties, and it is recommended that liability be determined according to a modification of the formula proposed by the second Tucker Committee for purely *ex gratia* retirement benefits in lump sum form; the new formula should also apply to the latter benefits. The formula now is:

(1) Exempt one-quarter of the sum up to a maximum of £2,000 in any case.

(2) The remainder should be charged to tax over five years, by charging one-fifth each year at the rate of tax it would have borne if added to the income of the year of receipt (termed "top-slicing").

(3) Ordinary remuneration for the same office or post in the year of receipt should be ignored for the purpose of the top-slicing.

Bad debts

A more rational tax treatment of trade debts which have been subject to an allowance as doubtful or bad is recommended (17). Such debts collected after retirement from or sale of the business now escape tax. The Commission recommend that they be taxed in the hands of the original creditor or his successor, according to the facts of the case. This would apply to professions as well as other businesses.

Oversea income of individuals

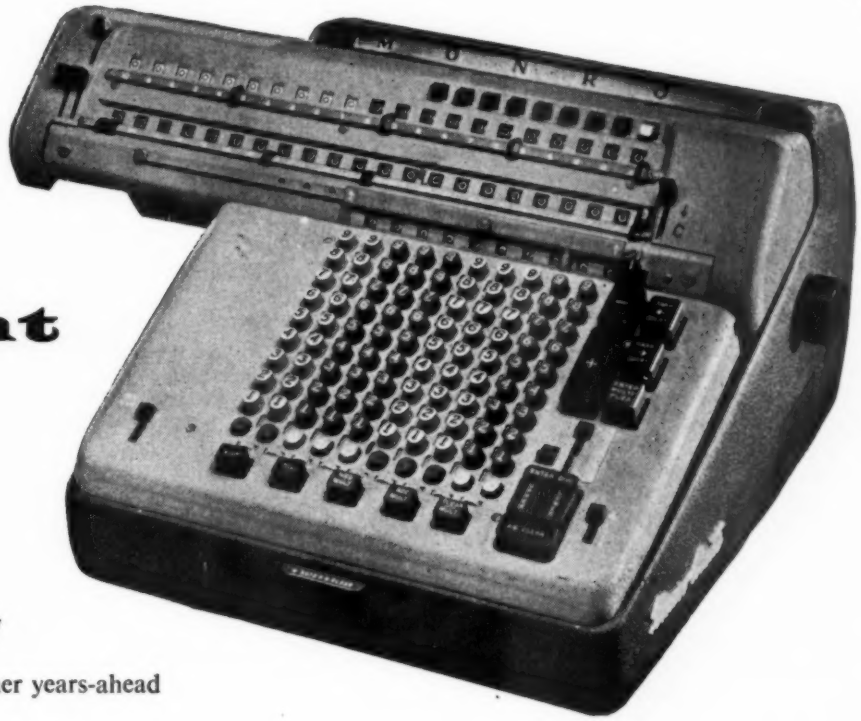
The possibility of simplification of the rules regarding residence, ordinary residence and domicile is examined in some detail, which is well worth reading as a summary of difficult rules. It is emphasised that there are many working rules which are not statutory. The conclusion is that there ought to be certain principles laid down by Parliament as legal principles governing the question of residence. It would scarcely be possible, much less desirable, to frame a code capable of providing rules for the whole range of the subject. In this respect it is said: "In point of fact, the Codification Committee's own suggested solutions by way of definition do not appear to be altogether satisfactory." This and other disagreements with earlier committees, and the disagreements among the Commission, lead to little hope of much simplification. Indeed, it is probably true to say that no Parliamentary Committee of the usual constitution could effect much improvement in that respect. Why cannot we have a "professional" committee—a lawyer, an accountant and a Tax Inspector, all specialists—which could be free from any political prejudices?

In the recommendations (18) to (20), the Commission has the assistance of comments from the Board in preparing them but they are not put forward as endorsed by the Board.

The recommendations are:

(1) Anyone who spends 183 days or more in all in the United Kingdom (U.K.) in a year of assessment is resident for that year.

(2) No one who has been outside the U.K. for the



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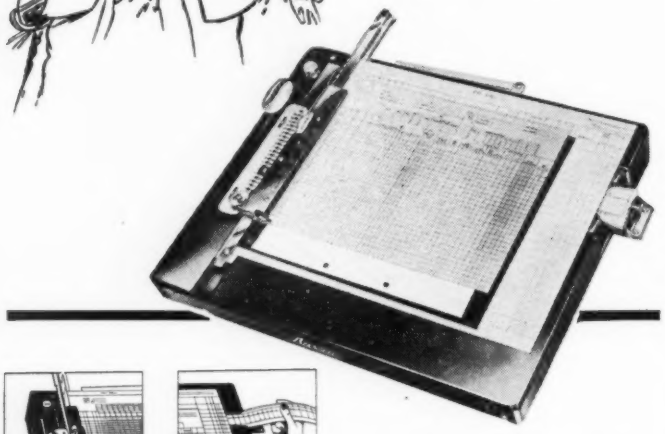

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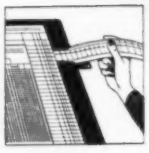

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whole of a year of assessment is resident for that year.

(3) *Prima facie*, a person becomes resident and ordinarily resident in the U.K. if he has come to it to take up permanent employment in the U.K. or to make his home in the U.K.

(4) *Prima facie*, a person ceases to be resident or ordinarily resident in the U.K. if he has left it to take up permanent employment overseas as his principal occupation or to make his home overseas.

(5) *As to visitors:*
- (*a*) A person is within the visitors' rule if, being in the U.K. in any year of assessment, he was not charged as a resident in either of the two preceding years.
- (*b*) A visitor can only be charged as resident for a year if—
  - (i) he has been in the U.K. for 183 days or more in all in that year, or
  - (ii) in the period covered by that year and the three preceding years he has spent 365 days or more in all in the U.K. and has been present for not less than 61 days in each of these years.
- (*c*) A person who has taken up permanent employment overseas as his principal occupation is to be treated as a visitor if he returns to the U.K. on leave or for some temporary purpose connected with his employment. Previous periods of residence before he took up such employment do not count as residence for the purposes of (*b*) (ii) above.

(6) *As to persons ordinarily resident:*
- (*a*) A person is ordinarily resident if he is resident in the U.K. according to the usual order of his life.
- (*b*) A person ordinarily resident can only be charged as resident for a year if—
  - (i) he has been in the U.K. for 91 days or more in all in that year, or
  - (ii) such periods of that year as he has spent outside the U.K. are due to occasional or temporary absence.

The remittance basis should be available to any person who is resident in the U.K. but is either not ordinarily resident or not domiciled there.

Mining concerns

A depletion allowance should be granted for the cost of acquiring, after an appointed day, mineral rights or areas in the U.K., with an adjustment for residual value (25). The existing depletion allowance for overseas minerals should be brought into line (26). The first Tucker Committee's recommendations (balancing allowance for the cost of land forming the site of works etc. or nearby sports ground, on the coming to an end of the concession; capital allowances for offices at overseas mines etc.) are supported.

The summary of the present rules for computing mining profits is very helpful in separating the various capital allowances etc.

Hire of assets

Difficulty arises where the payment for the hire or use of an asset for business purposes is a lump sum, as in *C.I.R.* v. *Adam*, where a contractor paid a fixed sum by half-yearly instalments for the right to deposit earth, slag, etc. on some vacant land, and the payment was held to be capital. The first Tucker Committee examined the nature of the payment and regarded it as commercially a revenue expenditure, but made no recommendation. The Commission recommends that recurring payments for business purposes for the hire or use of an asset should be deductible in computing the payer's profits and taxable income of the recipient (24).

Shooting rights

With the Board's blessing the Commission recommend (33) that the present practice be made statutory of allowing relief for losses on sporting rights maintained for letting. Adequate safeguards should prevent exploitation of the relief where the rights are enjoyed by the owner of the land or the controllers of an estate company.

Building Societies, etc.

The interest on the shares of building societies is akin to the "dividend" of industrial and provident societies, and should be regarded as interest on deposit; only the retained balance of profits should attract profits tax and then only at the undistributed rate, pending the introduction of a flat-rate form of the tax (39).

No surplus derived by a corporation from trading operations should be exempt under Case I on the grounds of mutuality (40). This recommendation follows a full discussion of the unsatisfactory features of the present law and the history of co-operative trading and taxation.

The B.B.C. should pay tax on its subsidiary sources of income (41).

Oversea profits

A long discussion of oversea income deals with the difficulty that often arises in distinguishing what is oversea income as distinct from "home" income; with the anomalies in the U.K. system of taxing such income; and with the fact that the taxation of oversea income cannot nowadays be treated as a purely domestic problem of the taxing authority. The result is a great divergence in view among the Commission, who found it "peculiarly difficult to find any recommendation which even a decisive majority of our members could come to support." The arguments on all sides are set out—equitable, economic, desirable, and so on. Common agreement was that there is a distinction between income on an oversea investment and profits of overseas trading, and that there should be no preferential treatment of the former. Nor should there be preferential treatment of profits once they are withdrawn from the field of trade

and made available as personal income, e.g. dividends paid by companies out of oversea profits. Methods of exemption are also examined. The conclusions are recommendations (42) to (45), which would give exemption of tax on profits retained by an "overseas trade corporation" on the lines followed by the United States and Canada.

On the point of double taxation relief, the limitations excluding provincial, cantonal, municipal, etc. taxes should be removed. Relief for indirect tax should extend to all countries; also indirect taxes imposed in a third country and profits accruing to the company from which a dividend is received.

Schedule A

Assessments should be capable of annual revision, so minimising excess rent assessments (49), and the gross annual value be the rent paid by the occupier (adjusted as appropriate) or the rating gross annual value, whichever is higher (50). The scale of repairs deductions is out of step with today's costs and should be increased at the next valuation (51). The aim should be to fix a happy medium between an extreme so high that many owners spent less and one so low that nearly all spent more.

In some cases the person responsible for repairs gets no allowance, e.g. where a lessee has made a profitable sub-letting but the lessor remains responsible for the repairs. On the Board's suggestion the Commission recommend that on application the assessment be not reduced by the statutory allowance, but an equivalent allowance be given by repayment to the person(s) on whom the burden of repairs fell (52).

For maintenance relief, there are similar anomalies. The Commission rejects the claim that a tenant on a repairing lease should be able to claim; he is in fact paying additional rent when he does the repairs. Land and houses should be taken together; any person who bears some Schedule A tax should get relief for maintenance incurred by him; a new owner should have the statutory right to the "actual" basis for the first five full years now given by concession, and be given relief limited in any year only by the net annual value. Capital expenditure on farmhouses, etc., should cease to qualify under maintenance relief, being more apt subjects for the agricultural buildings allowance (53).

Statutory provision ought to be made for void relief of other buildings as well as houses (54) and for lost rent relief (which is at present statutory only in Northern Ireland, though given elsewhere by concession).

At present where there is no future rent or not enough rent from which to deduct Schedule A tax, an outgoing occupier may find himself landed with the tax; there are other similar anomalies which it is suggested be righted by allowing a tenant-occupier to make good under-deductions from future rent within, say, two years. The Board are asked to review the rules to ensure that on a change of occupation the right person bears the tax (56). The difference in incidence of tax if a lease premium has been paid, where the occupier is liable in the first instance for the Schedule A tax (Section 113) and where the landlord is liable (Section 109) in the case of flats, etc. is mentioned. Under Section 109, if the reversion changes hands, the lessor's successor will be paying on the full annual value, though receiving a rent much less. It is recommended that this be brought under Section 113 for future transactions. The annual value of a Church of England parsonage house is income of the incumbent. In other denominations the house is commonly owned by trustees and the minister as representative occupier is not liable for tax on it, yet the exemption of the trustees is lost if the minister's income exceeds £150. The conclusions reached are that the parsonage should cease to be the incumbent's income but profits from letting should be assessed, and that the exemption be given to the trustees for a charitable body for property occupied by an officer or servant, irrespective of the latter's income (58).

Schedule B now brings in only about £150,000 and is not worth retaining. Amenity land is already taxed under Schedule A. Commercial woodlands could be transferred to Schedule D, giving the occupier the right to pay either on one-third of the Schedule A value or on actual profits, the election to be once for all (59).

Administration

Recommendations (60) to (76) suggest administrative changes, to relieve assessing Commissioners from the work of issuing and making assessments and from other minor executive functions, and do away with the taxpayer's right to be assessed by the Special Commissioners. This would no longer be required when the Inspector made the assessments, as local Commissioners would not see the figures unless appealed to. Sur-tax administration might well be decentralised if administratively advantageous. The Board should cease to be *ex officio* Special Commissioners.

At present appeals against sur-tax directions on controlled companies lie from the Special Commissioners to the Board of Referees. It is recommended that the original appeal should be to one of the two bodies, at the option of the taxpayer. The anachronism of a property qualification for General Commissioners should be abolished. An alternative to the Land Tax Commissioners (now nearing the end of their *raison d'être*) as the appointers of General Commissioners is the Lord Chancellor, who has already the task of appointing lay justices of the peace aided by local advice.

A retired Inspector of Taxes should not be allowed to become Clerk to General Commissioners for an area in which he served at any time in the preceding ten years.

Immediate notice of dissatisfaction should not be required at an appeal hearing, although it has served as a warning to the Clerk to make adequate notes of the case.

A recipient of taxed income ought to be entitled to demand a certificate of deduction of tax. A person who fails to deduct tax should have the right to recover it. Time limits should be recast, those now less than 30 days

to be increased to 30 days (e.g. appeals). The longer limits should be recast: *prima facie* six years should be allowed, in special cases two years would be appropriate. The Board appears to favour this.

Tax avoidance

The discussion admits that the assertion that a man owes a duty not to alter the disposition of his affairs so as to reduce his liability to tax cannot be supported. On the other hand it may be reasonable to examine whether a disposition of assets has been brought about for any other reason. The restrictions on covenants; sur-tax on controlled companies; restrictions on transfers of assets abroad, where the equivalent of the income is enjoyed here, are examples of anti-avoidance legislation. There are many other precautionary measures, e.g. to counteract sales *cum div.* (sur-tax), to disallow interest on money borrowed to pay an assurance premium, etc. The Board does not think the introduction of general anti-avoidance legislation desirable or necessary.

Criticism is aimed at the obscurity of certain legislation and the recommendation is that an expert body be set up to examine whether tax avoidance provisions are too widely drawn and whether they could be expressed more briefly and concisely (77). Simplification of profits tax should be accompanied by reduction of the anti-avoidance provisions (78). Sur-tax directions should be limited to profits unreasonably retained, except in investment companies (79). Where income accrued before death is regarded as liable to sur-tax in the hands of the beneficiary, estate duty on it should be deductible (80). The "company emigration" provisions ought to be subject to annual re-enactment (81).

Tax evasion

The bulk of the evidence inevitably came from those connected with the administration of tax! To prevent evasion, it is necessary to secure that each taxpayer's tax is (*a*) properly assessed, and (*b*) properly paid. Some strengthening of the Revenue's hands is thought to be overdue to bring into existence a reasonably accurate assessment. It is noteworthy that of 1,500,000 direct assessments under Schedule D, Cases I and II, nearly 1,000,000 are for under £500. The recommendations are interesting in this field (82) to (90). The obligation to keep certain simple business records unless a dispensation is given by the Inspector would be an advance to help the small trader. Accounts supplied in support of or in lieu of a formal return should rank as a return for assessment and penalty purposes, and should have a certificate of completeness of the records from the proprietor. A wife should be required to sign the husband's return as to the completeness of the account of her income. We can envisage more applications for separate assessments if this comes about, as we hope it will.

The Board should have power to require production of private records of husband and wife; and of any documents relating to the affairs of a private company which are in the possession of any director.

Again an expert committee is requested, in this instance to review penalties. In the case of deceased persons, back duty assessments should be capable of being made for 6 years prior to death (not as now prior to assessment) so long as made within three years after the year of death.

This concludes our general review of the majority recommendations. Much study is needed to grasp all that the report means—and attention should be paid to the "dissenters."

Enlightenment on Stock-in-Trade

By C. D. HELLYAR, F.C.A.

In the preceding article, and on pages 257-264 of our last issue, the recommendations of the Royal Commission on the Taxation of Profits and Income are reported, and many of them are briefly discussed. This article by Mr. Hellyar is the first of a number we plan to publish going into more detail on major suggestions of the Royal Commission, and giving a commentary on them.

Stock as Unabsorbed Cost

In Chapter 18 of their final report the Royal Commission set out, under the title of "Stock and the Computation of Profits," the majority's views on the methods of valuing stock which would be acceptable for taxation purposes. These views may surprise many accountants who have not followed the trend of opinion in recent years. The approval by the majority report of the LIFO method of stock valuation is one facet of a closely reasoned exposition which must be read in full to be appreciated.

The exposition rather consciously eschews the use of the term "valuation," except in inverted commas. If at times this purism becomes a little tedious, it makes a point which is fundamental. A primary aim of the whole inquiry by the Royal Commission is how to determine "true profit" for taxation purposes. Since a principal factor in determining profit is the figure to be placed upon stock-in-trade, the problem is: what does this figure represent?

A trader, for example, operates by holding an adequate, though varying, quantity of stock which he buys and sells.

Against the proceeds of his sales, he must set the cost of his purchases acquired at different prices. At the beginning and end of his financial year, he will have unsold stock on hand.

It is misleading to suggest that any part of his profit for the year consists of the increase in value of terminal stock over commencing stock. A trading account consists of proceeds of sales on the credit side and cost of purchases on the debit side. Commencing stock consists simply of the *unabsorbed cost* of purchases of the previous year set against sales of the current year; similarly, at the end of the year there will be unabsorbed costs to carry forward to next year.

In this context, therefore, the figure placed upon stock becomes a means of *allocating costs* against sales. The element of valuation or estimate enters in only in so far as a fall in market value may sufficiently indicate that some part of the cost of the stock has become irrecoverable.

The method of allocating cost presents the trader with a problem. Sometimes, though exceptionally, he will know the actual cost of the item sold; this is the case of the antique dealer and the jeweller. More often in practice, he must make an assumption.

The traditional assumption is that of FIFO (or "first in, first-out"); it is that the oldest goods in hand will be sold first and so on, in order of time. The majority report notes the flaws in this assumption. It does not often correspond with the trader's physical operations. Even in the case of perishable goods, it is valid only if all the goods are equally perishable. If successive deliveries go into a stockpile, the chances are that the latest delivery will be used first. There are also liquids which become inextricably blended.

In practice, other methods of applying cost (or "valuing" stock) are widely used; the "average cost" method, methods based on standard or pre-determined cost, the retail method of deducting normal profit margins from selling prices, and so on. Finally, there are the "base stock" or LIFO methods, LIFO ("last-in, first out") being a development of the base stock method; neither, says the report, has much currency in this country.

For purposes of simplicity, a trader has been spoken of in the discussion above. The ordinary retail trader does not usually have proper stock records and the annual inventory plays a key part in determining the allocation of costs. In a large industrial or manufacturing concern, there will usually be continuous stock records, and the materials used will be systematically costed.

FIFO v. LIFO

The Report points out that the tax code in itself prescribes no rules for determining cost or valuing stock-in-trade. The legal presumption has always been (with some qualification) that such rules are fixed by the accepted practice of traders or professional accountants. The Courts have admitted that the proper basis of valuing stock is "cost or market value," whichever is the lower, but the phrase conceals many ambiguities.

The majority report, while accepting the general utility of FIFO, concludes that it would not be advantageous for the tax system to require that all businesses must use a single prescribed method, whether FIFO or any other method, since businesses are so various in nature. They therefore reject the argument put to them by the Board of Inland Revenue (and supported by the minority report) that FIFO is the only strictly correct basis.

The FIFO method is, after all, the report indicates, merely a convention and has no peculiar sanctity; there may be other methods "which seem better adapted to the circumstances of a business or the commercial conditions of the day . . . or come to be recognised by the trading community and professional accountants." In conditions of rising prices or inflation especially, it may well be that other assumptions will be appropriate, for example, LIFO.

The LIFO method is based on the principle that profit or loss on trading is the difference between the price at which goods are sold and their replacement cost; for this purpose, however, replacement cost meaning the actual cost of the last purchases during the year. The essence of LIFO is that the valuation of physical stocks should be crystallised at their prices on a particular date and should not vary thereafter. If a physical increase occurs, such increase should also be frozen at the new current prices.

To use LIFO is not, however, to abandon the procedure of applying the cost of purchases against sales—a procedure which is an essential characteristic of sound accounting: it is simply to select out of the flow of costs the latest, instead of the earliest, costs. It thus substantially achieves the result of charging current costs against current sale prices without involving the appropriation out of profits of reserves for replacement upon some vague and arbitrary basis.

It is not suggested that LIFO necessarily corresponds to the physical flow of goods any more than other conventions. It does, however, meet a trader's complaint that, in conditions of inflation, the figure of profit that he can withdraw from his business is necessarily lower than that shown on the FIFO basis. Unless he is to face a reduction of business by reducing his stock, he must retain part of the surplus to carry his stock at its inflated prices.

Recommendations

The majority report makes it clear that no method should be accepted at all for tax purposes unless it secures that the cost assigned to any item of stock-in-trade represents the real figure for the cost of that item and is calculated, if used consistently over a period of years, to give a fair reflection of the profits of each year.

It then proceeds to set out in Appendix II what is in its way quite an epoch-making document. It is described as an "outline of a scheme which we have worked out . . . and recommend for adoption." This outline contains optional methods of stock valuation, with liberty to value parts on one basis and parts on another. (This is the "pick and choose" method approved in *C.I.R. v. Cock Russell & Co. Ltd.*)

Basis 2(4) is stated to be "a combination of the base stock and LIFO method of valuation and, although not a new idea, being in fairly general use in the U.S.A. and Canada, it has not been generally used here." To all intents and purposes, this method is a LIFO method in the form called in the United States the "dollar value" method with some variation designed to deal with net reductions of stock "without the necessity of identifying any reduction with a particular addition or 'layer' of stock as is required under the U.S.A. system." Necessarily, the details are left to be worked out.

The recommendations also provide an option to use at any accounting date the conventional cost or market value if it should be lower than the LIFO valuation. This would make the choice to adopt LIFO much easier since the taxpayer need not speculate on whether his replacement cost at some time in the future may fall below his frozen LIFO prices.

If preferred, the taxpayer need not alter his usual basis of valuing stock but can set up a provision in his books designed to bring such valuation down to the LIFO valuation; this provision can either be deducted from stock in the balance sheet or shown separately on the liabilities side.

Appendix II also provides for appeals to the Board of Referees in case of dispute with the Board of Inland Revenue. Once adopted, a basis could not normally be changed without Inland Revenue approval but, if a change takes place, the difference in valuation between the new valuation and the old valuation would have to be included in taxable profit or allowed as a loss.

It should be realised that essentially the LIFO method is a method of *postponing* payment of taxes with a resulting improvement in working capital. If stock falls in net quantity, an appropriate part of the provision set up is brought back to profit; similarly, if there is a total reduction or a cessation of trade or a change in the nature of the business, the whole of the proceeds of sale would be brought to account for tax purposes.

Conclusions

It will be seen that the recommendations of the majority report represent a success for the taxpayer in the campaign carried on against him by the Board of Inland Revenue over many years to impose their own ideas of stock valuation. Soon after World War II, they persuaded the cotton industry to abandon its "base stock" method and only a few stalwarts retained it; then they unsuccessfully attacked the "pick and choose" method in the Cock Russell case but were successful in the case of *C.I.R. v. Broadstone Mills, Ltd.*, in having a "base stock" method of valuation rejected by the Court of Appeal.

In their evidence to the Royal Commission, the representatives of commerce and industry, notably the Federation of British Industries and the Associated British Chambers of Commerce, advocated complete freedom in the use of methods of stock valuation which were accepted commercial practice; they also advocated the base stock and LIFO methods. In substance, the majority report has accepted these representations and also commented on "the real danger that in times of high taxation the mere circumstance that taxing authorities insist on a particular method of computing profits tends to perpetuate that method in general use."

The proposals of the majority of the Commission will undoubtedly cause some controversy. Even some of those who agree with the recommendations may disagree with some of the theoretical justifications put forward in support of them. The arguments used by the Commission will not be unfamiliar to those who have followed accounting developments in the United States in recent years. A useful summary of these developments is contained in the publication *Changing Concepts of Business Income*, issued in 1952 as the report of a study group of certain well-known United States accountants. It is well to remember the dictum of Mr. George O. May on objections made to providing in accounts for the decline in the purchasing power of the monetary unit: "This argument is largely a reflection of the common tendency to ignore or minimise the defects of methods to which we have become accustomed and to magnify those of methods that would be new to us."

In truth, the majority report does not so much indulge in theorising as hark back to tradition. What it has endeavoured to do is to take the worn and ambiguous words "cost or market value" and give them a slightly different content of meaning appropriate to contemporary conditions. Their approach is thus purely pragmatic and in accordance with the long traditions of judge-made law in this country, whereby a legal concept can be given new utility by a change of emphasis or twist in meaning.

After all, LIFO is nothing but a new and improved development of the base stock method which has been used in Great Britain for a very long time. Its origins indeed are almost lost in the mists of time, though it is rumoured to have been invented in Scotland. The LIFO method is in fact the "base stock" method stripped of its inconsistencies and ambiguities and given a new lease of life. In the United States the base stock method is not permitted for taxation purposes. It involves a rather arbitrary fixing of minimum quantities of stock which a business needs to keep up production and valuing such stock at a constant price over a long period of years; it provides, however, no self-correcting machinery for dealing with physical additions or reductions as does the LIFO method.

One interesting feature, which is not fully explained, is how the recommendations of the majority report are to be translated into practice. It is not made clear whether the signatories contemplate incorporation of their permissive schedule in legislation or whether the Inland Revenue is expected to issue regulations embodying it. It is to be hoped that the latter way will not be followed as it would certainly be undesirable for the Inland Revenue to be empowered to make regulations prescribing accounting practice. Although the report does not specifically say so, it is implicit in what it does say that the method to be used for taxation purposes should actually be followed in the accounts. In the United

States, the Revenue law insists that the LIFO method must be used in accounts for shareholders, partners, creditors and others, if used for taxation purposes. It is in itself a significant development that the revenue laws should be used to control the financial accounts.

Some persons may also criticise the signatories of the report in so far as in their first chapter they took it as their general premise that "There will not be any marked decrease or increase in the purchasing power of money in the United Kingdom." However, they added that it would be absurd to assume complete stability or that there would not be sudden and temporary variations. In fact, LIFO is particularly well adapted to the latter contingency, since it in effect permits a taxpayer to use the surplus funds required to finance inflated stocks in his business tax-free but only so long as they are actually so employed.

On the whole, the majority of the Royal Commission are to be congratulated on their freedom from prejudice in making new proposals or, perhaps it should be said, giving new life to old ones. At least "accepted accounting practice" may now, one hopes, be interpreted as including the practice current in North America as well as this crowded little island.

Taxation Notes

P.A.Y.E. Frustrations

The waste of time that has been evident in certain tax procedure leads us to comment on it. As an example, an amended coding notice issued early in June, 1955, still showed the personal allowance as £120. This had to be followed about three weeks later with a further amended notice putting that right as well as amending the code number to the new tables issued in the last week in June. Could not the first amendment have been deferred without damage to anyone?

Again, we have just had reported an instance where the taxpayer asked for some of his allowances to be coded into his wife's coding notice so as to avoid the deduction of tax from her small salary from his business. The request was refused on the grounds that it could not be done. What more simple? This case was dropped because the new additional personal allowance made no tax payable on the wife's income.

The elasticity which used normally to distinguish the Revenue Department in such instances seems to have had its "stretch" reduced!

Deduction of Tax

It is well to remember that any agreement whereby a person purports to dispense with a right to deduct tax at source is void in that respect; he can still deduct tax. Cases have been known where evasion of tax has occurred because a sur-tax payer has lent money at a low rate of interest on the understanding that tax will not be deducted. The agreement cannot be enforced in law, but in practice the borrower may be no worse off and faces the position rather than have the mortgage called in. As an example, if a man with an income just under £2,000 borrows £4,000 from a man with an income over £15,000, and the rate of interest agreed in the ordinary way would be 5½ per cent. per annum (what the bank would probably charge him), the payer of the interest would deduct tax at 8s. 6d. in the £, making the net rate £3 3s. 3d. per cent. The recipient would receive £3 3s. 3d. but would have to pay sur-tax of £2 15s. 0d., leaving him with 8s. 3d.

Suppose then that the rate of interest is agreed at £3 3s. 3d. per cent. and no tax deduction? The payer is no worse off unless the payment is made out of earned income so that he would lose the earned income allowance, i.e. 2/9ths of £3 3s. 3d.= say £1, the tax on which would be 8s. 6d. The recipient, however, receives £3 3s. 3d. on which he pays sur-tax only, £1 11s. 7d., leaving him £1 11s. 8d. He could adjust the rate so as to compensate the payer for his loss of earned income relief. What remedy have the Revenue got? It seems that they cannot assess the payer; his right of deduction is under Section 169. But they can assess the recipient under Case III on £3 3s. 3d., i.e. income tax of £1 6s. 11d., reducing his net benefit to 4s. 9d. Their difficulty is to learn the facts, but taxpayers should be warned that the scheme is one of tax evasion.

If there is to be a fixed net rate, the agreement must be worded: "at such rate as after deduction of income tax at the standard rate for the time being in force will leave x per cent." (x being the net rate). For example, a net rate of 2¾ per cent. with tax at 9s. was 5 per cent. gross, but with tax at 8s. 6d. is £4 15s. 8d. per cent. gross.

A will is not an agreement, and a "free of tax" bequest of income is operative, the beneficiary being entitled to the sum stated but having to account to the trustees for any tax recovered on it under the *re Pettit* rule. An order of Court is not an agreement either, and may be made free of tax, in which case the gross equivalent is the income of the recipient; such orders are not now made.

National Insurance Contributions

What real sense is there in allowing the whole or a major part (as the case may be) of National Insurance contributions falling on the individual in his personal capacity as a deduction from total income? Even if they are likened to superannuation contributions, it is still difficult to find any logic in the position that an individual exempt from income tax bears the contribution in full whereas

the sur-tax payer bears very little. As examples:

(*a*) A married man with two children and a total income (all earned) of £566 pays no tax, and so bears in full the contribution.

(*b*) A man with an income of £3,000 saves income tax and sur-tax totalling 11s. in the £. If he is self-employed this means that his contribution allowable of £17 cost him net £7 13s. 0d.

(*c*) A similar man with an income over £15,000 would save 18s. 6d. in the £, making the net cost £1 5s. 6d. The Insurance Fund then gets £17 of which the Exchequer bears £15 4s. 6d.!

It is difficult to see that there would be any real hardship in disallowing their own contributions as a deduction from the income of individuals. Contributions paid for other persons are in a different category and should be allowed.

Cereal Deficiency Payments

With the introduction of the home grown cereals deficiency payments scheme for crops of the 1954 harvest, it is clear that some deficiency payments will not be made until a considerable period after the end of the accounting year during which the crops were either sold or harvested. As a result the *National Farmers' Union* has received many inquiries regarding the way in which such deficiency payments should be treated for tax purposes.

The purpose of this note, therefore, is:

(1) to give a brief account of the operation of the deficiency payments scheme for the different commodities; and

(2) to summarise the way in which it is understood that the Inland Revenue will agree to the payments being treated for tax purposes.

(1) Home Grown Cereals Deficiency Payments Scheme, 1954

General

Under the new system of price guarantees for cereals home grown grain is sold for what it will fetch on the free market and deficiency payments are made to growers if prices fall below certain levels. For wheat and rye deficiency payments are made on grain sold and delivered, while for barley, oats and mixed corn the payments are made on the acreages grown and harvested as grain. (The deficiency payment will still be paid for barley, oats and mixed corn which, although sown with the intention of being harvested as grain in 1954, were not so harvested owing to bad weather.)

Wheat

An important feature of the arrangements for wheat is that the season is divided into a number of accounting periods, a separate "standard" or guaranteed price being allotted to each period. There are five such accounting periods in the current season, and the standard prices are on a rising scale, as follows:

Accounting Period	*Price per cwt.* s.	d.
July 1 to Sept. 30, 1954 ..	28	10
Oct. 1 to Nov. 30, 1954 ..	30	4
Dec. 1, 1954, to Feb. 28, 1955	31	10
Mar. 1 to April 30, 1955 ..	33	1
May 1 to June 30, 1955 ..	33	10

Deficiency payments (which equal the difference between the standard price and the average market price) are made about two to three months after the end of each period. The rates per hundredweight for the first four periods have already been announced: they are 9s. 2.1d. for the first period, 10s. 7.3d. for the second, 8s. 0.6d. for the third and 10s. 1.3d. for the fourth.

Rye

There is no seasonal scale of prices for rye, the single standard price applying to rye sold at any time in the cereal year. In consequence, the deficiency payment cannot be calculated until after the end of the season and the final payment in respect of 1954–55 is expected about September, 1955. In the meantime, however, an *advance* payment of 3s. per hundredweight has been made for rye sold and dispatched.

Barley, Oats and Mixed Corn

Because barley, oats and mixed corn are grown largely for feed and not sold, the price deficiency per hundredweight is converted into an acreage payment. Payment is made over the total acreage harvested, whether or not the grain is sold. There is no seasonal scale of prices, and the final payment for 1954–55 will not be made until about September, 1955. An *advance* payment for barley of £2 10s. 0d. per acre has been made, but the trend of market prices has not justified advance payments for oats or mixed corn.

(2) Taxation of Deficiency Payments—1954 Harvest

General

Apart from wheat the full deficiency payments will not be known until some three or four months after the end of the cereal year concerned. These dates will be a considerable time after the sales of rye and the harvesting of oats, barley and mixed corn. For the majority of farmers also the dates will be a considerable time after the end of the accounting year.

Legally the deficiency payments for wheat and rye should be credited as trading receipts in the accounting year during which the crops were sold and delivered and, for barley, oats and mixed corn should be credited as trading receipts in the accounting year during which the crops were harvested (or intended to be harvested) as grain.

If, however, all these payments were dealt with on this strictly legal basis, it would mean that the assessments of many farmers would have to be kept open until the full amounts of the payments were known, or that there would have to be a continual re-opening of past assessments. Farmers would not be aware of their tax liability until, in many cases, considerably later than they might otherwise know it and this in turn might affect farmers' management. Another important result which would react unfavourably on the farmer is that accountants and Inspectors of Taxes would be flooded with a vast volume of work which they would have to get through in a very short space of time. Following discussions with the Inland Revenue on this subject, we under-

stand that it will be in order for accountants to deal with deficiency payments for tax purposes on the following lines.

Wheat
For this commodity only, deficiency payments to be treated on the strictly legal basis. Thus, all deficiency payments for wheat to be brought in for all wheat sold and delivered in the farmer's accounting year.

Rye
Advance deficiency payments for rye to be brought in at 3s. per hundredweight for all grain sold and delivered in the farmer's accounting year. Final deficiency payments for rye to be brought into the farmer's accounting year in which such payments are notified.

Barley, Oats and Mixed Corn
Advance deficiency payments for barley to be brought in at £2 10s. 0d. per acre harvested or intended to be harvested as grain during the farmer's accounting year. Final deficiency payments for barley together with any deficiency payments for oats and mixed corn harvested or intended to be harvested as grain during the farmer's accounting year to be brought into the farmer's accounting year in which such payments are notified.

These general arrangements will apply except in the following circumstances when deficiency payments will be treated on the strictly legal basis:

(*a*) where there is a commencement or cessation of a trade, or
(*b*) where the taxpayer requests that the payments be treated on the legal basis, provided that this request is made before the 1955–56 assessment becomes final.

New Chairman of Inland Revenue
Following the retirement of Sir Eric St. J. Bamford, K.C.B., K.B.E., C.M.G., from the public service, Sir Henry D. Hancock, K.C.B., K.B.E., C.M.G., lately Permanent Secretary, Ministry of Food, has taken up his appointment as Chairman of the Board of Inland Revenue.

P.A.Y.E.—Increased Exemption Limit
From July 6 the rate of pay at and above which an employer has to deduct tax under P.A.Y.E. was raised from £3 5s. to £3 15s. a week, and from £13 10s. to £15 10s. a month. The change is effected by the Income Tax (Employments) (No. 6) Regulations, 1955—Statutory Instrument 1955, No. 835. (Her Majesty's Stationery Office, price 2d. net.)

Taxation of Rents Increase under the 1954 Act
The Income Tax Payers' Society has complained in a letter to the Chancellor that after obtaining an increase in rent under the Housing Repairs and Rents Act of 1954, spending it on repairs—it is stated that the clear intention of the Act is that the increase should be so spent—paying tax on the increase and claiming maintenance relief, the owner's net income for the first five years of the Act will be less than if he did not obtain the repairs increase at all. This result comes about because the relief provided by the maintenance claim is calculated on the basis of the five years preceding the year concerned, whereas the increase in rents is taxed on the actual amount received in the year. In the "quite normal case" of a basic rent of £52 and an average expenditure over the previous five years of £14, the owner will have to pay tax in the first five years of the Act on £64 more than he will receive, if the increase in rent is entirely spent on repairs. It will not be until the sixth year that the owner will be in the position of paying tax on his actual income from the property.

The Society says that owners are discouraged and the objects of the Act are jeopardised. It suggests that arrangements should be made to relieve from taxation the increases in rents or that part of them that can be shown to have been expended in repairs to the property.

Taxation Guide and Key
Jordan's Income Tax Guide 1955–56 (25th edition by Chivers) is a booklet of 48 pages which is ambitious in its inclusiveness. In the minimum of words, it sets out a summary of the basis of assessment; the rates and allowances; an outline of PAYE; examples of tax in specimen cases; and tables showing the income tax for 1955–56 on specimen incomes from £180 to £10,000. A table of rates and reliefs for back years from 1946–47 is on the inside back page. The title is apt; our only wonder is whether the epitomisation may not be too severe in some respects, e.g. Case V is stated to deal with Ordinary shares, real property, etc. without any mention of income which would be on the remittance basis; the term "allow" is used for elimination of certain credits in adjusting profits; the reference to subvention payments (not by name) omits any reference to the requisite agreement; a loss of £60 is wholly used under Section 341 to get a repayment of tax of £5, with no warning that the future prospects should be thought of. The *Guide* costs 2s. net, from *Jordan and Sons, Ltd.* (London).

The "*Taxation*" *Key to Income Tax* (Finance Act edition 1955) follows familiar lines and fulfils its claim of "your reference in five seconds." In 223 pages the whole field of income tax is explained in reasonable detail. The thumb-index is remarkably efficient. A very brief reference to taxation in Eire is included. This is a useful booklet to have at one's elbow. It is obtainable from the *Taxation Publishing Co.* (London) at 10s. net.

Double Taxation—Austria
The draft of a double taxation convention between the United Kingdom and Austria has been agreed. It follows the lines of previous conventions. The text is to be published when the convention has been signed.

The subject of Estate Income—and Maintenance Claim Time Lags *is discussed in a Professional Note on pages 286-7.*

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Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Trade—Business of cattle feeder—Running contracts with farmers for wintering cattle—Death of cattle feeder—Trustees realising estate—Whether also carrying on a trade—Income Tax Act, 1952, Schedule D, Case I.

Patullo's Trustees v. C.I.R. (Court of Session, March 8, 1955, T.R. 105) arose out of the death of a Mr. Patullo on November 22, 1951. He had conducted, amongst other farming activities, that of a cattle feeder making contracts with farmers under which they wintered his cattle until ready for sale. He supplied the feeding stuffs and the farmers with whom he contracted got the benefit of the dung. At the time of his death Mr. Patullo had running contracts which if renounced by the trustees would have entailed considerable loss. They resolved, so as to realise the estate to best advantage, to carry out the contracts and in the Commissioners' stated case it was stated that although the trustees entered into no new cattle feeding contracts they had purchased seventy-six additional cattle in order to consume the balance of feeding stuffs on the farms, had paid wages in the course of carrying out the contracts, and had bought additional feeding stuffs to complete the fattening of cattle which had consumed all the food at their winter accommodation. The final lot of cattle had been sold in June, 1952, and the profit resulting had been held by the General Commissioners to arise from the business of cattle feeding carried on by the trustees after Mr. Patullo's death and not from the realisation of the deceased's assets in the business. A unanimous Court held that it was not possible to say that there was no evidence upon which the Commissioners could reach the conclusion at which they had arrived.

The Lord President (Clyde), giving the only full judgment, said that in the cases which had come before the Courts different results were inevitable as the issue to a large extent was a question of degree. He cited as an example *Cohan's Executors* v. *C.I.R.* (1924, 3 A.T.C. 67 and 251; 12 T.C. 602), where trustees had completed the construction of a ship unfinished at the death of the deceased and it had been held that no trading by them had taken place. At the other end of the scale it was easy to figure a case where in realising the estate trustees decided it was prudent to carry on the trading that deceased was doing prior to his death. The Lord President said that it would be no answer in such a case to say that their operations were wholly done with a view to realising the estate to best advantage, "for trading would clearly be consistent with such an object." The margin dividing liability from non-liability in this type of case is often so slight that the issue is apt to depend on the quality of the "riding" before the Commissioners.

Income Tax

Schedule D—Deduction in computing profits — Company operating railway abroad—Local social legislation—Salary compensation payable to employees on cessation of employment—Total sum only then calculable but irreducible minimum sum payable in respect of each year of service—Whether minimum sums to be regarded as deferred remuneration for the year in respect of which payable and allowable as deduction in computing profits of that year.

Owen v. Southern Railway of Peru Ltd. (C.A. March 17, 1955, T.R. 87) was noted in our issue of January last at page 26. There the complex facts were set out at considerable length, and the interested reader can refer either to that note or, better, to the actual reports of the case. The point at issue was, however, a simple one in principle and is set out in the heading to this note. The Special Commissioners had evidence from a member of the firm of Chartered Accountants who were the company's auditors and from two other accountants. They had found that it was a matter of correct accountancy practice in England to make provision in the accounts for the sums in question in the circumstances of the case and had held that they were properly deductible in computing the assessable profits for the years in question. Upjohn, J., had reversed their decision. He had held that:

> I have to consider this matter in accordance with ordinary commercial principles, and the ordinary rule is that the proper time to debit a liability of the company is when it has become a present liability or more truly an obligation; that is to say, in an ordinary case has become payable.

And he said that the liability plainly arose for the first time, *at any rate for income tax purposes*, when the employment ceased on death or retirement. A unanimous Court of Appeal affirmed his decision, both Jenkins and Romer, L.JJ. giving carefully considered judgments and the Master of the Rolls finding himself in full accord with them.

In both judgments a new factor was introduced, it being said that in view of the speeches in *Absolom* v. *Talbot* (1944, A.C. 204; 23 A.T.C. 137; 26 T.C. 166), the facts that the sums claimed by the company to be deductible might not be paid for many years made it wrong in any case to deduct them in full "even from a commercial point of view"—to quote Romer, L.J. In effect, it was held that even if the sums were admissible in principle they would have to be discounted by some method. To the present writer, however, it seems that the right of the employee to draw his "deferred remuneration" in full at any time, subject to his giving the statutory notice and behaving himself until its expiry, differentiated radically the position from that obtaining in *Absolom* v. *Talbot*. Another reason for rejecting the company's contention was found in the computation rules of the Peruvian laws; but, whilst Romer, L.J., thought the anomalous results

> lend considerable support to the view that the allocation of these sums . . . to particular years is not in accordance with the realities of the case,

Jenkins, L.J., was more forthright. He said it was, no doubt, true that the compensation payable represented remuneration which the employer paid for the work of his employee.

> But does it follow that each year's increment in the compensation prospectively payable to any employee is remuneration payable to him exclusively in respect of the services rendered by him in that year? In my view it does not; and I think that that conclusion is demonstrated by the case of an employee whose salary is increased—for example, an employee who after serving for five years at £240 per annum has his salary increased in the sixth year to £480 per annum. In this example, the employee upon his salary being increased would become pros-

> pectively entitled to compensation at the rate of one-twelfth of his increased salary multiplied by six (that is, £40×6=£240) in lieu of £20×6=£120, to which he would have been prospectively entitled apart from such increase . . . I fail to see how it could sensibly be said that this increment of £140 represented, and represented exclusively, remuneration for services rendered in the sixth year.

Considering the position in the light of the above, let it be assumed that A. is the employee. After five years in a subordinate position earning £240 per annum, either because there is a vacancy in a higher grade to be filled, or he has been offered a better job off the railway, or for some other reason, A. gives notice that unless his pay is doubled he is going to "pack up." The company will be fully aware that to comply with his demand will entail an increase for the sixth year of £140 in its compensation liability. Assuming it to be run on business principles, in considering whether to accept A.'s terms or let him go it is submitted that the company will be *entirely forward-looking*—the possibility suggested by the company's counsel that the £240 compensation could be spread back so as to make it £40 for each of the six years seems to introduce a fictitious element of past consideration—and it will only be prepared to retain A. for the sixth year at a cost of £480+£140=£620 for that year if his future services for the sixth year onwards are considered to be worth retaining at their increased cost. The fact that for the sixth year, considered alone and without regard to the future, the £620 might be thought too much would seem to be irrelevant.

One of the difficulties in considering such cases is that of terminology. It will be seen that whilst the Special Commissioners referred to "correct accountancy practice," Upjohn, J., referred to "ordinary commercial principles." Other terms used either in the case or in cited cases were "ordinary business principles or in other words the ordinary practice of commercial accountancy," "general accountancy practice," "settled principle of commercial accounting," "principles of sound commercial accounting," "prudent accounting," "reasonable commercial practice." And they all apparently refer to the same thing, the only difficulty being to know with any precision what that thing is. In effect it would seem that in the Courts the tribute paid to it is for the most part hardly distinguishable from mere lip-service. In the present case, for example, the effect of the decision is that the whole of the compensation payable to a man after, say, 25 years' service is to be a deduction in arriving at the profits of the year in which it is paid. If, in the illustration given above, the Court found it difficult to accept that the £140 "represented and represented exclusively remuneration for services rendered in the sixth year," one would have thought it would to be far more so to treat the whole compensation as in respect of services in the final year. If, however, the position is considered from the purely legal aspect, it is a different matter; and on this basis the company's case was far weaker owing to the presence of a contingency element which nevertheless was sufficiently small to be ignored if "commercial principles" were the real criterion. The difficulty of reconciling the attitude of the Courts with business realities is set out in an article in our March issue entitled *Profit Ascertained on Commercial Principles*. There, Mr. F. A. Roberts emphasised the importance of the case; and it is perhaps not without significance that although all the judges have been adverse to the company's contention leave to appeal to the House of Lords was given without demur.

Income Tax

Profession—Partnership assessed on cash basis—Death of partner—Notice of discontinuance not given—Sum representing share of profits earned prior to death—Whether this sum less expenses deductible in arriving at assessable profits—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 11—Finance Act, 1926, Section 32.

McCash and Hunter *v.* C.I.R. (Court of Session, March 16, 1955, T.R. 117) arose out of circumstances far from uncommon amongst solicitors. The appellant firm, McCash and Hunter, of Perth, appealed against assessments made in respect of their professional profits for the year 1952–53. The firm's accounts were made up to March 31 and the assessments had been based on the profits for the year ending March 31, 1952. Under a partnership contract entered into on December 13, 1934, solicitors in Perth agreed to carry on business under the name of McCash and Hunter. There had been changes in the firm from time to time, only one of which, the most recent one, was material to the issue. In that case after negotiations to terminate his contract with the other partners which had not reached finality, the partner in question, Mr. Donald Mackay, had died on November 14, 1949, and after his death the three surviving partners had continued to practise under the firm name. It was agreed that the three partners in carrying on the business after Mr. Mackay's death had to implement the partnership contract in regard to the unrealised profits on the death of a partner.

In the original contract the yearly profits and losses were to be ascertained on a cash basis, and to secure equitable treatment this system requires careful provision of what is to happen on the death or retirement of a partner. The provision in the deed by Clause 15 was as follows:

> The amount to which a deceased partner's representatives should become entitled should, as to so much thereof as should be the proceeds of unrealised profits, be accounted for at the annual accounting periods of the firm without any deduction to cover cost of collection and should be payable 28 days after the date of account . . . .

The income tax assessments on the firm from its inception in 1934 had throughout been computed on a cash basis. After Mr. Mackay's death no notice of discontinuance under the proviso to Rule 11(1) of Cases I and II of Schedule D had been given, with the result that subsequent assessments had been made upon the basis that there had been no break of continuity. For 1952–53, the assessment based on the year to March 1952 was appealed against upon the ground that there should be deducted the share which had been earned in the lifetime of Mr. Mackay, and had been collected in the year 1951–52 and handed over to Mr. Mackay's executors in accordance with Clause 15 of the partnership agreement. The Special Commissioners had refused the appeal and a unanimous Court approved their decision.

The Lord President (Clyde), giving the only judgment, said that although the profits were assessed upon a cash basis the argument was that on Mr. Mackay's death the old firm ceased, a new firm came into existence, and Mr. Mackay's share of the profits recovered on behalf of the old firm was not profits of the new firm. His share, therefore, should not form any part of the computation of the new firm's profits. They were merely collecting his share and paying it over to his executors. His lordship held that in a question with the Inland Revenue this argument was unsound and quite inconsistent with the cash basis, which he proceeded to analyse. He pointed out that on the

cessation of the old partnership steps could have been but were not taken to invoke the procedure in Rule 11 and alter the method of assessing the profits.

The decision was undoubtedly correct; and it is curious how many even amongst the professions fail to appreciate the full implications of a statutory basis of assessment which is other than the actual profits of the year of assessment.

Income Tax

Sale of farms—Entry at Whit-Sunday 1950—Sale of growing crops at valuation "immediately before harvest"—Accounting periods ending May 31—Accounting period in which sale took place.

Gunn v. C.I.R. (Court of Session, March 11, 1955, T.R. 107) arose out of a clause in a sale agreement. Appellant, shortly before Whit-Sunday, 1950, had entered into an agreement with the late Duke of Westminster by which he sold to the latter two farms sown with "white crops." Entry was to be upon the Whit-Sunday but it was a condition of the bargain that the crops in question were to be taken over at a valuation "immediately before harvest." They had been duly valued and harvested and in December, 1950, the appellant had received £5,500 in respect of the valuation. He contended that this sum should not be included in his accounts for the year ending May 31, 1950, but in those for the following year. The General Commissioners had rejected this contention upon the ground that they had not been satisfied that the appellant's rights amounted to occupation or that any part of the price for the crops represented profits from farming subsequent to the sale. A unanimous Court reversed their decision. The Lord President (Clyde) said that neither side maintained that occupation was the test and he did not consider that an examination of the general law regarding the rights of an outgoing tenant at Whit-Sunday in regard to white crops harvested in the following autumn was of real assistance. The parties to the bargain could "innovate" upon what the law would otherwise provide. The issue, he said, was the narrow point of the construction and meaning of the clause. If it meant that the crops were to be taken over immediately before harvest when the valuation was made, then the £5,500 fell into 1950–51. If, on the other hand, it meant that the valuation was to be immediately before harvest but that the crops had passed to the purchaser at the date of entry into the farms, then it fell into 1949–50. He said he preferred the first interpretation, holding that the words "immediately before harvest" qualified the taking over of the crops and not the valuation only. He thought it would be anomalous if the crop were to be taken over at Whit-Sunday but the whole of the risk relating to it remained with the appellant. The other members of the Court agreed with the conclusion reached by the Lord President.

There is nothing in the judgments to indicate why vendor and purchaser came to the arrangement about the growing white crops, and the field is a technical one in which the uninstructed will fear to tread. Nevertheless, one of the parties had to bear the inevitable risks associated with growing crops; and if we assume that they were agreed on the sale price of the properties save on the value at which the growing crops were to be taken over, it would seem to be not unreasonable for them to agree that disagreement upon this subsidiary point should not preclude the main bargain, the sale and purchase of the properties, from going through. If this was the position, the arrangement would seem to a layman to be one where the purchaser agreed to take over the properties including the growing crops but the point in dispute, the price to be paid for the latter, was to be determined by valuation "immediately before harvest." Upon this hypothesis, a different conclusion would seem to follow from that reached by the Court. [In order to save readers as ignorant as the writer was from the trouble of reference, the dictionary definition of "white crops" is given as "grain, as barley, rye, wheat"—and, of course, oats.]

Profits Tax

Nationalisation of coal industry—Cessation of colliery concern—Continuance of other businesses—Compensation—Payments pending satisfaction of compensation—"Interim income payments"—"Revenue payments"—Whether sums income from investments or other property—Finance Act, 1937, Schedule IV, paragraphs 7 (1), 8—Coal Industry Nationalisation Act, 1946, Sections 5, 10, 19, 21, 22, 23—Finance Act, 1947, Sections 31 (1), 32, 43 (1), 47 (1)—Coal Industry (No. 2) Act, 1949, Section 1—Transport Act, 1947, Section 32 (2).

The Butterley Company Ltd. v. C.I.R. (C.A. March 10, 1955, T.R. 69) was noted in our issue of November last at page 429. The company had received in the year 1947 and years following sums from the Ministry of Fuel of three kinds: (1) revenue payments in respect of the years 1947 and 1948 under Section 22 (3) of the Coal Industry Nationalisation Act, 1946; (2) revenue payments in respect of the years 1949 and 1950 under Section 1 of the Coal Industry (No. 2) Act, 1949; and (3) other sums paid under Section 22 (2) of the 1946 Act in respect of the right to interim income conferred by Section 19(2) of the last-mentioned Act. It was not contended by either side that there was any distinction between the three classes of payments for taxation purposes. Originally, it had been contended that the payments in question were liable neither to income tax nor to profits tax; but the Special Commissioners had held that they were liable to the former but not to the latter, whilst Roxburgh, J., had held that they were liable to both. For profits tax, he held that they were liable as "income from other property" within paragraph 7 (1) of the Fourth Schedule, Finance Act, 1937, as amended by Section 32 (1) of the Finance Act, 1947. In the Court of Appeal, the company did not dispute income tax liability; but, as regards profits tax, a unanimous Court found in its favour, reversing the decision of Roxburgh, J.

Evershed, M.R., in his judgment, made an exhaustive examination of the relevant special coal nationalisation legislation; but for present purposes a brief summary will be sufficient. By Section 19 (1) of the 1946 Act compensation was due as on the vesting date, January 1, 1947; but owing to the complex nature of the method of its determination a considerable period would elapse before it was finally settled, and by Section 19 (2) there was given a right to "interim income" for this period in accordance with the provisions of Section 22 of the Act. The amount of "interim income" depended upon the amount ultimately paid as compensation and was incapable of prior calculation, so, by Section 22 (3), provision was made for "revenue payments" on account of "interim income" and these were to be money payments. If payments in satisfaction of "interim income" proved to be excessive there was no obligation upon the concern to make refund. The determination of compensation payable under the 1946 Act taking longer than anticipated, the 1949 Act made further provision as to "interim income" payments; but if these should prove to exceed what was ulti-

mately found to be due the Minister of Fuel might by regulation make provision for recoupment.

The company in addition to the undertaking which had been nationalised carried on various business activities—for example, structural steel manufacture, brickmaking and dairy farming—which the Special Commissioners had found to be distinct and separate businesses. They had held that the payments in respect of "interim income" were not receipts of any trade carried on by the company during the relevant chargeable accounting periods and were, therefore, not subject to the profits tax. To appreciate this finding it is necessary to consider some of the changes in the profits tax since its imposition as the National Defence Contribution by the Finance Act, 1937. Originally, it applied in principle to the profits of all businesses: but "income received from investments or other property" was not to be included in the computations save in certain limited cases. When, however, the tax was recast by the Finance Act, 1947, individuals and partnerships (save in certain cases of the latter) were exempted from liability and the policy of the 1937 Act as to "income received from investments or other property" was reversed. Henceforward, with certain exceptions, instead of liability being the exception it was to be the rule. Again, whereas by Section 20 (1) of the 1937 Act in cases where a taxpayer carried on more than one business the profits of each had to be separately computed, by Section 43 (1) of the 1947 Act all businesses carried on by the same person were to be treated as one for profits tax.

Evershed, M.R., in his judgment said in effect but at considerable length that Roxburgh, J., had decided the wrong question; that it had been conceded by the Crown that for liability to attach the sums in question had to be profits arising from a trade or business; and that by virtue of paragraph 8 of the Fourth Schedule to the 1937 Act, they had to be of a Case I or Schedule D nature. It was contended, however, first, that as the company was a trading company, formed for the exclusive purpose of carrying on business, all receipts in the nature of income were within the ambit of "profits arising from the trade or business." Alternatively, it was claimed that the company had not treated the sums in question otherwise than as ordinary income of the company. As to this second point, the question, said his lordship, was as to the nature of the income at the time of receipt and not what was done with it afterwards. It had to be profits of a trade carried on during the chargeable accounting period and he could, he said, state the grounds of his conclusion adverse to the Crown under four heads, summarised as follows:

(1) Not all income of a trading company is business earnings. *C.I.R.* v. *Gas Light Improvement Co.* (1923, A.C. 723; 12 T.C. 503), *C.I.R.* v. *Tootal Broadhurst Lee Co. Ltd.* (1949, 28 A.T.C.1.; 29 T.C. 352).
(2) The formula of the 1937 Act was deliberately preserved by the 1947 Act. "Profits arising from a trade or business" had an obvious and necessary significance, excluding income or profits of an individual derived otherwise, and it should not be said that the 1947 amendment excepting the individual from the tax had the oblique effect of making the original formula necessarily synonymous with "income from all sources."
(3) In view of the Special Commissioners' findings there was no basis for saying either (*a*) that after January 1, 1947, there was some kind of amalgamation or (*b*) that these sums from a discontinued business became automatically the profits of one or all of the continuing and separate businesses. Section 43 (1) of the 1947 Act could treat as one only businesses actually being carried on after January 1, 1947.
(4) Had the disposal of the coal-mining business been voluntary he could conceive that the income receipts might be treated as arising from a trade or business on the ground that the sale was and was intended to be a business transaction. Here, the transfer was by Act of Parliament and the company could but obey the law and receive the sums ordained by Parliament. On the facts, to treat the income payments as arising from a trade or business was, in his opinion, "wholly unreal and insensible."

As to the argument that Parliament had by Section 1 (5) of the Coal Act, 1949, shown that the income payments under that Act were subject to profits tax, Evershed, M.R., said that, in the circumstances and according to well-established principles, the sub-Section could not influence the interpretation of the Finance Act, 1937, in its application to the present case. On the other hand, if the company had been asked in any of the "years 1947 and following" what the profits of its business were, he thought that the natural answer—contrary to the Crown's view—would have excluded the income payments.

Jenkins, L.J., in a careful judgment covering much the same ground, stressed that the findings of the Special Commissioners were findings of fact. He came to the same conclusion as the Master of the Rolls. Nevertheless, although the basis of the Roxburgh, J., judgment that the payments were "income received from . . . property" had been abandoned by the Crown, Jenkins, L.J., said that, whilst the finding that the payments were not profits of any trade or business made it unnecessary for him to decide whether they were in other respects such income, it seemed to him "at least open to doubt." He examined the question at some length and in the end found it difficult to believe that any business man would describe the interim payments as "income received from . . . property." Although his analysis and opinion were in the circumstances apparently entirely *obiter*, he did make it clear that he did not accept without question the finding of Roxburgh, J., that the payments were of that nature.

Morris, L.J., in a short judgment said that if the coal business was regarded as A. and the other businesses as B., C., D. and E., the interim income had no relation to the latter whether treated as one or separately; and to treat it as income arising from the "trade or business" carried on by the company in a chargeable accounting period was in his opinion contrary to the realities of the situation. The mere ownership of the statutory right resulting from the acquisition of A. did not amount to a business in itself or to a new business tacked on to B., C., D. and E. and to be treated as one with them. He also agreed that the manner in which the company had treated the payments was irrelevant to the issue.

Sur-tax

Profession—Partnership assessed on cash basis—Death of partner—Payments to deceased partner's executors representing share of profits earned prior to death—Whether deductible in computing total income for sur-tax—Whether annual payments—Finance Act, 1927, Section 38(2).

C.I.R. *v.* Hunter (Court of Session, March 16, 1955, T.R. 121) arose out of the circumstances set out in *McCash and Hunter* v. *C.I.R.*, noted in the present issue. The three partners in the firm had claimed that in computing their respective incomes for sur-tax purposes for the year 1951–2 they should be allowed deductions in respect of their respective shares of profits paid to the executors of Donald Mackay, who had died in 1949. The profits in question represented work

done in the deceased's lifetime. As related in the *McCash and Hunter* note, the assessments upon the firm had been made upon a cash basis and on the death of Mackay discontinuance had not been claimed under the proviso to Rule 11(1) of Cases I and II of Schedule D. The Special Commissioners had held that they were bound by the decision in *C.I.R.* v. *Hogarth* (1941, 19 A.T.C. 361; 23 T.C. 491) where, in their view, the circumstances were very similar, and they had decided in favour of the respondents. A unanimous Court of Session reversed their decision.

The Lord President (Clyde) said that to succeed the respondents must establish that the sums in question were "annual payments" from which tax was deductible, and that the essential difference between the facts of the case and those in *Hogarth* was that what the executors got from the firm was belated receipts of profit which the deceased had earned and upon which he was deemed to have already paid tax—*Bennet* v. *Ogston* (1930, 9 A.T.C. 182; 15 T.C. 374). When making payment to the executors the firm would not be entitled to deduct tax; and, so, the sums paid would not be proper deductions for sur-tax purposes—*C.I.R.* v. *Corporation of London* (1953, 32 A.T.C. 111; 34 T.C. 293). Lord Sorn, who gave the only other judgment, referred to the case last-mentioned and said that the right to deduct tax was where it was a profit payment within Case III of Schedule D, instead of which it was a receipt taxable under Case II but already deemed to have been taxed during the deceased's lifetime: see *Bennett* v. *Ogston*.

What seems strange is that the Special Commissioners, presumably after studying Lord Normand's judgment in the *Hogarth* case, should have found more than a superficial legal similarity between the two cases. It would seem to be another example of the pitfalls resulting from the assessment of firms upon the cash basis. The payments to the Mackay executors are deemed to have been taxed in his lifetime but, as revealed in *McCash and Hunter*, the same payments were also apparently taxed again in arriving at the firm's assessable profits. The answer, of course, is that this is fallacious. They do, admittedly, form part of the basis of assessment but only as being the notional equivalent of amounts earned during the year but paid later, which do not.

Tax Cases—Advance Notes

By H. MAJOR ALLEN

CHANCERY DIVISION (Wynn-Parry, J.)

Fitton v. Gilders. July 13, 1955.

Facts.—F., a dentist, was desirous of selling his practice and placed it in the hands of agents for sale, stating that he was prepared to sell the bulk of the equipment, etc., at a valuation and did not ask any price for goodwill. G. entered into negotiations for the purchase of the practice but was advised by his bank manager that a loan would not be made to assist him in the purchase unless a substantial figure was placed upon goodwill. Accordingly there was a variation of the provisional bargain and the final contract provided for the assignment of the lease of the business premises and the goodwill for the sum of £1,450 and for the sale of the equipment, etc., at an amount fixed by valuation less £1,000. G. claimed capital allowances on the equipment, etc., by reference to a figure of £1,445 and accordingly F. and G. required the General Commissioners, under the provisions of Section 329, Income Tax Act, 1952, to apportion the purchase price of the whole of the property sold in pursuance of Section 326(1). At the hearing of the appeal the only evidence tendered by F. was the final agreement and assignment of the lease, and it was contended on his behalf that the terms of the contract were conclusive. The Commissioners held that they were entitled to look behind the terms of the agreement to ascertain what were the intentions of the parties to it, and as a result apportioned £1,445 to the equipment, etc.

Decision.—Held, that the Commissioners had misdirected themselves in law, but that nevertheless Section 326 did contemplate that the Commissioners should be entitled to go behind the terms of the final agreement in arriving at their apportionment; that there was evidence upon which they could properly come to the conclusion that £1,445 was apportionable to the equipment, and that their decision should be affirmed.

Joffe v. Thain. July 14, 1955.

Facts.—J. was resident but not domiciled in the United Kingdom for the year 1949/50 and was accordingly assessable in respect of his income from foreign possessions in accordance with the provisions of Rule II of Case V. J. had been a partner in a medical practice carried on in South Africa for a term of years which came to an end on December 31, 1949. On March 2, 1950, he remitted to this country £500, of which £302 represented part of his share of the partnership profits arising prior to December 31, 1949. On appeal before the Special Commissioners he contended that, by virtue of the provisions of Section 30, proviso (i), Finance Act, 1926, his income from that source for the year 1949/50 was to be computed as if he had been carrying on a trade which was discontinued on December 31, 1949; that by virtue of Section 31(1) the measure of his income liable to assessment was the amount of profits for the period from April 6 to December 31, 1949; and that those profits were in this context the amounts remitted during that period. He accordingly claimed that the assessment should not include any part of the £302 referred to above. The Special Commissioners dismissed his appeal.

Decision.—Held, that the Commissioners' decision was correct and that, the period in respect of the income of which the taxpayer was to be assessed having been ascertained, the *quantum* of the profits assessed by reason of the provisions of Rule II of Case V was the full amount of the remittances received within the year in the United Kingdom.

The Student's Tax Columns

PROFITS TAX ABATEMENT

IF A COMPANY has no franked investment income the abatement operates on profits over £2,000 and is one-fifth of the amount by which the profits fall short of £12,000. The effect of the abatement is to charge no tax where the profits do not exceed £2,000 and, if the profist are over £2,000, to charge profits tax on six-fifths of the excess. Thus:

	Profits	*Abatement*	*Chargeable Profits*
	£	£	£
Not exceeding:	2,000	whole	nil
	2,010	1,998	12
	3,000	1,800	1,200
	4,000	1,600	2,400
	5,000	1,400	3,600
	9,000	600	8,400
	11,000	200	10,800
	12,000	nil	12,000

If the period is less than a year, the £12,000 is proportionately reduced.

Where there is franked investment income (F.I.I.), however, the abatement is worked by reference to the profits plus the F.I.I., but only the proportion appropriate to the profits is deducted from those profits. Thus:

F.I.I. £2,400	Profits	£7,200
Abatement $\frac{7,200}{9,600} \times \frac{£12,000 - £(7,200+2,400)}{5}$ =		360
Profits chargeable		£6,840

It will be seen that the abatement on £9,600 would be $\frac{1}{5}$ (£12,000−£9,600)=£480, but £9,600 includes F.I.I. as well as profits. Only the portion of the abatement appropriate to the profits can be deducted from them; the remainder applies to the F.I.I. which is not liable to tax.

The abatement is important as it exempts further profits from the tax, but it has the effect that non-distribution relief is not given on the whole retained profits because part of any net relevant distribution comes out of the abatement, which escapes tax. Thus:

No F.I.I.	Profits	£6,000
Abatement $\frac{£12,000 - £6,000}{5}$		1,200
		£4,800
If the Gross Relevant Distribution (G.R.D.) were £4,000:		
Net Relevant Distribution (N.R.D.) $\frac{4,800}{6,000} \times £4,000$ =		3,200
Non-distribution relief (N.D.R.) due on		£1,600

The tax payable is:

£4,800 at 22½% =	£1,080
N.D.R. £1,600 at 20% =	320
Profits tax payable	£760

This is equal to:

2½% on liable profits of £4,800 =	£120
20% on N.R.D. of £3,200 =	640
	£760

Further illustration:

F.I.I.	£2,200	
Profits	4,400	
Abatement: $\frac{4,400}{6,600} \times \frac{£12,000 - £(4,400+2,200)}{5}$ =	720	
Profits liable	£3,680 at 22½% =	£828 0 0
G.R.D. £2,700		
N.R.D. $\frac{3,680}{6,600} \times £2,700$ =	1,506	
N.D.R.	£2,174 at 20% =	434 16 0
Profits Tax		£393 4 0

Here £2,200+£720= £2,920 escapes tax and N.D.R. is given only on the proportionate part of the retained profits that are appropriate to the profits chargeable; the balance comes out of profits that escape tax.

Some of the above may appear illogical—tax is often so.

An Anomaly

We have pointed out before the anomaly that a company has non-distribution relief on profits yet may retain none. An up-to-date example is a company that has no F.I.I. but pays away 70·968 per cent. of its profits in dividend:

Profits £100,000 at 22½% =		£22,500 0 0
N.R.D. 70,968		
N.D.R. £29,032 at 20% =		5,806 8 0
Profits tax		16,693 12 0
Income tax at 8/6 on £100,000		42,500 0 0
Dividend £70,968 0 0		
Less tax at 8/6 30,161 8 0		
		40,806 12 0
Total paid away		£100,000 4 0

But notice the N.D.R.!

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The Month in the City

Market Optimism

On June 22, the industrial Ordinary share index hit a new high of 219.8 in face of the prospect of an intensification of the credit squeeze and despite the fact that the effects of stoppages were bound to be substantial. The market was evidently discounting continued prosperity for British industry and, very probably, the re-emergence of a considerable degree of inflation. However, following a 27 point rise in a month there was then a reaction for a week, to be followed by a new burst of speculative buying, in which American money—previously held at security sterling—played some part. By July 7 a new high of 220.6 had been registered. Over this fortnight, the Funds had accompanied equities in both fall and rally. The fall had been accentuated by talk of sterling being made convertible but with no limit to its fluctuations. The rally was associated with a denial that there was any intention to devalue. There seems to be little doubt that the authorities are, at the moment, wedded to a "floating pound," but there will certainly be substantial opposition to any suggestion for convertibility on that—or possibly on any—basis. The rally in the Funds was reversed earlier than that in equities by very strong rumours of an impending issue of either Gas or Electricity, which were confirmed on the following Monday when an issue by the *Gas Council* was announced. Meanwhile, the Treasury had decided to raise rates for *Public Works Loan Board* finance and to issue a new series of Tax Reserve Certificates carrying tax-free interest at 1¾ per cent. Other conditions of issue are the same; but power is taken to vary the rate of interest given by mere announcement and without creating a new series for each change, as has been the case hitherto.

£100 Million for Gas

The firming up of rates directly controlled by the Government, read in conjunction with the reports that a definite limit had been imposed on bank overdrafts, had created the impression that the Treasury intended to let long-term rates rise. The terms of the Gas issue, namely £100 million of 4 per cent. Guaranteed stock 1969–72 at 98, are not calculated to attract heavy subscriptions, for immediately before the announcement the old stock was quoted at 97¾ ex dividend and it fell to 97½ on the news. At the old level it might have been just profitable for large applicants to take the new stock rather than buy the old; after the fall it is difficult to see whence a large demand is to come, unless it is the fact that large sums are awaiting this or a similar issue. If this is so, all will be well; but if, as seems more probable, the Departments are called upon to subscribe heavily, the banks will be relieved of a large slice of advances without any corresponding fall in deposits such as would occur if the loan were taken up by the public, and the operation will be the reverse of deflationary. The first effect of the operation was to freeze the price of the old Gas stock and to produce general weakness in the Funds. But the calls on the new issue are spread out until December and applications from the public may be larger than seemed probable at first. The renewed weakness of the gilt-edged market, which was accompanied by a drop in most other sections, seems to owe more to the very sharp rise in the price of coal, and its possible effects on our power to compete, than to the terms of the new issue. The net effect of these and other developments is reflected in the following movements in the indices of the *Financial Times* between June 22 and July 21: gilt-edged from 94.99 to 93.48, fixed interest from 107.22 to 105.43, industrial Ordinary from 219.8 to 223.9, a new high, gold mines from 85.76 to 83.99.

Bank Results

The English banks do not publish profit figures at the half year and, with the results almost complete, it looks as though the dividends paid will be strictly in accord with expectation—that is, either the same as last year or equal to the average for the two 1954 payments. The importance of the statements, however, lies mainly in the facts that, almost without exception, they show further material expansion in advances since mid-May and that in most cases this has been achieved by further considerable sales of investments. Finally, these investments are not in every case taken in below current market prices. The treatment of this item has varied, but in general all banks say that they hold only dated securities and that most are due for redemption within the decade. All are included below cost and redemption price but, as already stated, some are above market price and only in some cases is it stated that no provision has been made to write them down, although it is believed that no such action is usual at the half-year. If it is correct that the total of advances is to be more or less frozen for some time, presumably these are the figures which will form the basis. So far it is very difficult to find any instance of advances for moderate amounts being refused on account of the credit squeeze, but, presumably, the banks will from now on have to pay a fairly heavy price if they expand their advances without running down their liquidity ratios, which are now at the magic level of 30 per cent.

F.C.I. Dividend

At the beginning of last month the *Finance Corporation for Industry* celebrated its tenth birthday by declaring a maiden dividend of 6 per cent. on the share capital. Despite realised losses on the year on the *Petrochemicals* and *Murgatroyd* ventures, the Corporation is able to show an increased profit. This is because it had ploughed back substantial sums, including compensation for loss of equity in the steel industry through nationalisation, which more than covered these losses. The fact is that after paying the small dividend there are some £430,000 of reserves. In its life the company has promised to lend in all some £125 million, while at the date of the balance sheet, end-March 1955, it had almost £54 million of investments and contracts running to cover further lending of £32,752,000. Throughout its history its main investments have been in steel and a great deal of its loans are now to ISHRA. It has, however, recently re-entered the field of free steel with an undertaking to lend, for relatively short periods, up to £15 million to *Dorman, Long*. Lord Bruce and his lieutenants are to be congratulated that they are at this stage able to make so good a showing. Against the losses mentioned above have to be set successes in the case of *F. Perkins* and *Ultramar*, while the part played by *Petrochemicals* in post-war oil developments is not to be judged solely by the loss of capital incurred.

NATIONAL INSURANCE PENSIONS TO PERSONS ABROAD

Retirement pensions and widows' pensions are now payable anywhere in the world, instead of being restricted to the Commonwealth and countries with which reciprocal agreements had been made. Where exchange control restrictions prevent direct payment to the pensioner, the pension will be paid into a bank or to a nominee in this country.

Points From Published Accounts

An Omelette of Reserves and Provisions

Broadcast Relay Service is a name that is known to millions of people. One of the interesting features of its accounts is the method of providing for fixed assets replacement. The fixed assets comprise in the main "Expenditure to date on station equipment, wiring network, television receivers and loudspeakers (including establishment of system)" and on the opposite side of the balance sheet is a general contingencies reserve, including provision for the replacement of station equipment, wiring network, television receivers and loudspeakers. A footnote to the accounts states that television receivers and loudspeakers held pending hire are included in the main operational asset "station equipment, wiring network, television receivers and loudspeakers." The number of the receivers is increasing with the expansion of television business, and it is now considered appropriate to regard them as fixed assets rather than current stocks. The comparative figures for the previous year have been adjusted accordingly.

Another note states that the provision for depreciation does not include depreciation of station equipment, wiring network, television receivers and loudspeakers, but provision for replacement of such assets is included in the transfer to general contingencies reserve. This serving together of a reserve and a provision is highly unusual and it probably titillates some shareholders, for in the latest accounts the transfer to the reserve has been raised by £400,000 to £1,200,000.

Veiling the Trade Investments

Of interest to accountants, though not perhaps from a strictly accounting point of view, is the secretiveness of some companies on their trade investments. Sometimes the Stock Exchange sleuths unearth information by visiting Bush House and rooting through the files—the writer has done it himself on more than one occasion—but the directors show no inclination whatever to broadcast the information for the benefit of a wider public, to wit, the owners of the business. In a recent issue of the *Stock Exchange Gazette* an article began: "It is very much to be doubted if the shareholders of *William Baird* know precisely what they own," and went on at a later stage to say:

> Frankly, it must be said that the accounts are not as informative as could be wished. It is, of course, possible that the Board is unaware that more information could be disseminated usefully. Our own position—and it is that of shareholders—is that it is quite impossible to evaluate the shares without knowing the spread of assets over the subsidiaries, what the quoted and unquoted investments comprise and the income from them, and what income the holdings in associated companies are bringing in.

This ignorance springs from the fact that the company summarises group income under three heads—trading profit of the group, including dividends from associated companies; income from quoted and unquoted investments; and profits, less losses, on disposal of plant.

There is a very glittering jewel in the companies' diadem, as a reader of the *Stock Exchange Gazette* pointed out in a letter to that journal; he said that he had pressed the Board to give further information, without success.

Dividend Cover

Some companies are regularly bringing to credit profits relating to the trading of previous years, and the amount can be in very substantial relation to the profits of the year of the accounts. *Steel Brothers* regularly shows such profits, and while they are not large in relation either to normal profits of the year or to the cover for the dividends, they might well be. The question arises whether or not it is desirable for companies to show the tax attributable to these earlier profits, especially if the companies, as they usually do, deduct dividends at their net amount. If the dividends were shown gross then the shareholder could compare them with profits before tax. In a preliminary profits statement issued last month one company in fact showed profits of earlier years brought to credit and the tax attributable thereto, and as a general principle that seems a desirable practice. If the tax cannot be attributed directly, then showing the amount attributable on a simple proportional basis would usually be adequate.

The accounts of Steel Brothers have this comprehensive footnote about tax:

> The charge for taxation is based on the profits (excluding the proportion of surplus on sale of assets) brought into account and includes profits tax on £10,000 (1953 £10,000) in respect of the distribution of capital profits (*1953 and an amount of £25,000 underprovided for U.K. income tax in previous years.*) In the consolidated accounts the foreign taxation is reduced by approximately £34,000 being a provision set up in prior years towards taxation on the profits of such years now brought into account (*1953 the charge includes certain foreign taxation in respect of which there was no reciprocal relief.*)

One is left to wonder if the recipient of the accounts bothers to work all this out, and to the writer it would seem that companies which add such cumbrous footnotes to their accounts are laying their chairmen open to awkward questions by the shareholder who has only a nodding acquaintance with the mysteries of accountancy and yet is determined not to see the wood for the trees. He can be a bugbear at the annual general meeting!

We have received a copy of the first issue of the new *Stock Exchange Journal*. The journal, which will be issued quarterly at 2s. 6d. per number, is published by the authority of the Council of the London Stock Exchange. Attractively produced, it contains articles of general interest—one on the City 1910–1955 by Lord Brand, another on the Wall Street Inquiry by Robert Bedingfield, and a third on the Square Mile by Norman Cook—and notes on domestic Stock Exchange topics. It is stated editorially that there is no intention "to add to the already voluminous literature on questions of investment and its general financial and industrial background," and also that the approach to questions on the running of the Stock Exchange or Stock Exchange firms will be "cautious and gradual." Future issues will no doubt show whether the large omission from the contents of the journal and the caution on controversial domestic issues are or are not justified.

The British Productivity Council has published under the title *Better Ways* reprints of articles and case studies which have appeared in the publication *Target* recently. This "primer of productivity" is intended not so much for managers who are familiar with the problems as for others—supervisors, shop stewards and trade union officials—among whom a broad knowledge of improved management techniques will foster productivity.

Readers' Points and Queries

Preference Shareholders' Dividend 6 per cent. Less Tax

Reader's Query.—A company issues "6 per cent. preference shares less or subject to tax." The company by reason of accumulated depreciation and carry forward of losses has not been assessed, as it had no taxable income. The shareholders want the company to pay the full dividend of 6 per cent, without tax. The company argues that "6 per cent. less tax" is a measure, not an agreement to deduct tax only if the company has to pay tax. A company always pays tax on its own account—not on behalf of any shareholder. That being the law, the phrase "6 per cent. less tax" cannot imply an undertaking on the part of the company to pay the full 6 per cent. *Ashton Gas Co.*'s case is quoted in support of the view that if the company stipulates to pay "6 per cent. less tax," to pay the shareholder the dividend without deducting tax would be tantamount to paying the shareholder more than the company contracted to pay.

Any case law on the subject will be appreciated.

Reply.—A company cannot pay a dividend unless it has profits out of which to pay. It can, however, pay a dividend out of current profits without necessarily providing for previous losses (Ammonia Soda Co. *v.* Chamberlain) *provided, of course, the dividend is not paid out of capital. This is not something to be recommended. If it does pay such a dividend it is entitled to deduct income tax. Section 184, Income Tax Act, 1952, authorises deduction from the amount paid out of profits which have been charged to tax or which would fall to be included in computing the liability to assessment to tax for any year if a computation had to be made by reference to the profits of that year only. These profits are before deduction of capital allowances.*

Stock Valuation

Reader's Query.—Difficulty has arisen with H.M. Inspector of Taxes regarding the correct method of stock valuation. The points of difference are two:

1. The Inspector contends that the "global" method must be adopted, i.e. all items must be valued at cost, or all items at market value, whereas we contend that each item should be treated individually and valued at cost or market value as the case may be.

2. The Inspector contends that "market value" means "realiseable value," whereas we contend that it represents "replacement value," i.e. the value in *the market in which the trader buys.*

Reply.—1. The Inspector should be referred to the decision in C.I.R. *v.* Cock Russell & Co. *[1949] 29 T.C. 397, which decided against the Revenue on the global method.*

2. The Inspector is giving the normal Revenue interpretation. If thought worth while the matter could be taken to appeal.

Computation of Profits—Capital Allowances

Reader's Query—Your reply to the query published in ACCOUNTANCY for June (page 227) gives no initial allowance to the taxpayer in the year of assessment 1952–53. May I enquire the reason for this?

Wilson and Heaton on the Income Tax Act, 1945, at page 9 states:

> If a business commenced on July 1, 1946, and made up accounts for one year to June 30, 1947, the first assessment would be for 1946–47 on the profits from commencement to April 5, 1947, and that period is the basis period for 1946–47. Plant bought in that period, i.e. to April 5, 1947, would therefore rank for initial allowance for 1946–47.

Reply.—Initial allowances were withdrawn in respect of expenditure on or after April 6, 1952, and restored in respect of expenditure on or after April 15, 1953.

Trade or Not a Trade

Reader's Query.—A. and B. are the sole directors of X. Ltd., a private company trading as nurserymen, with power under their memorandum to deal in glasshouses. They are also two of the five directors of Y. Ltd., trading as glasshouse dealers.

About two years ago, Y. Ltd. entered into a contract with a firm of glass manufacturers to purchase a quantity of glasshouse material. Deliveries were made from time to time to various customers, on the instructions of Y. Ltd. Early in 1954 a quantity costing £1,500 remained in the hands of the manufacturers, who pressed Y. Ltd. to pay for and clear it. As Y. Ltd. were at that time short of funds, and X. Ltd. believed they could use the material in their own business (or if it proved unsuitable, re-sell without loss), X. Ltd. paid to Y. Ltd. a cheque for £1,500 and took delivery of the glass. Y. Ltd. then paid the manufacturers. X. Ltd. subsequently decided that the material was not suitable for their purpose, and were able to obtain only £957 on reselling it.

The Inspector will not allow the loss of £543 in the accounts of X. Ltd. He considers that the transaction was not in the normal course of their trade, and that the £1,500 was paid by X. Ltd. only because Y. Ltd. did not have the necessary finance.

Reply.—From all the facts stated it appears that X. Ltd. bought the materials for use as an asset of their own business and it is doubtful if any body of Commissioners would decide in favour of the taxpayer. (*Cf.* McLellan Rawson & Co. *v.* Newall, *May 13, 1955—see* ACCOUNTANCY, *July, page 270.*)

INSTITUTE OF INTERNAL AUDITORS

The London Chapter of the Institute of Internal Auditors held its annual general meeting on June 15. The following officers have been elected: President, Mr. O. A. Mackinnon; Vice-President, Mr. J. Prince; Secretary, Mr. D. G. Jarvis, c/o C. C. Wakefield & Co., Ltd., 46 Grosvenor Street, London, W.1.

The report for 1954–55 records appreciation of the work of Mr. Mackinnon as deputy for Mr. A. H. Abbot, who suffered a breakdown in health during his period of office as President.

Papers were read at eight meetings and at the day conference. A course of five lectures for members' assistants was given. A study project is in progress on "Internal Audit and the control of an Insurance Department."

The membership of the Chapter is now 73, compared with 60 a year ago. It is hoped that a Midlands Chapter may be formed.

Members have helped the librarian of the British Institute of Management with suggestions for compilation of a universal decimal classification for accountancy literature.

SCOTTISH C.A.s' SUMMER SCHOOL

We have received a copy of the handbook published by the Institute of Chartered Accounts of Scotland for its Summer School held at St. Andrew's University in June, 1955. Apart from giving details of the arrangements and the daily programme, the handbook contains the complete text of two of the papers given at the conference, one entitled *The Organisation of a Professional Office*, by Robert Crawford, F.C.W.A., C.A., and R. T. M. McPhail, M.B.E., C.A., and the other on *Profit Sharing and Pension Schemes*, by David Flint, T.D., M.A., B.L., C.A., and William Lundie, F.F.A., C.A.

Publications

Fundamentals of Auditing. By R. K. Mautz, PH.D., C.P.A. Pp. x+406 (*New York: John Wiley & Sons Inc.; London: Chapman & Hall, Ltd:* 48s. net.)

FOR SOME YEARS the reviewer has been teaching that the auditor should conduct an analytical process which starts with the end-product of the accountant and, in the process, should call for and examine evidence to enable him to form the opinions expressed in his report. If the process is carried out with skill and judgment, errors, both intentional and unintentional, will be discovered if they exist. There is therefore an egocentric satisfaction in finding that one's voice is not a lone one crying in the wilderness; Professor Mautz takes the same view of the true starting point of the study of auditing.

After examining the various types of evidence available to the auditor and considering the merits and demerits of each in light of the efficiency of whatever internal control may exist, Professor Mautz goes on to explain the procedures involved in the verification of assets, liabilities, incomes and expenditures, starting with cash and cash equivalents and proceeding to receivables, stock-in-trade and so on. The reader is never left in doubt on why a step in the audit routine is taken. The common methods of covering fraud and defalcation are exposed in light of the suggested programme of verification, and always the detailed procedures are related to the basic audit techniques.

Each chapter concludes with examination problems, for the text is designed for first year students (although one may have the temerity to suggest that it could be read with profit by those in a much later stage of their studies).

Being an American text, much stress is placed on the physical verification of assets, but the practical and technical problems involved are recognised—particularly in the verification of stocks. Nevertheless, the author takes the view that these problems must be solved by the auditor in the light of the individual circumstances.

One would not suggest that the leaders of the profession in this country have much to learn from their American counterparts, but texts such as the present one confirm the reviewer's belief that the bulk of the literature provided for students in this country is dull, inadequate and uninspired. He, at least, concludes that unless more attention is paid to the technical education of the student and the provision for him of inspired and lively literature, the development of the profession in Britain will be unconscionably retarded. R.A.

Topham's Company Law. Twelfth edition. By John Montgomerie, B.A., Barrister-at-Law, and Sefton D. Temkin, M.A., LL.B., Barrister-at-Law. With a chapter on Companies in Scotland by David M. Walker, M.A., LL.B., PH.D., Advocate of the Scottish Bar. Pp. lxxxvi +459+55. (*Butterworth & Co. (Publishers) Ltd.* and *Shaw & Sons, Ltd.:* 17s. 6d. net.)

Company Law. Fourth edition. By Harry Farrar, M.C., M.A., LL.B. Pp. xxxii+653. (*Cassell & Co., Ltd., Educational Department:* 15s. net.)

THE NAME OF TOPHAM is now so closely linked with the study of company law that thousands of students and practitioners will be glad to acquire the new edition. This is the twelfth and has been thoroughly and successfully edited and when necessary re-written by John Montgomerie and Sefton D. Temkin.

As the editors point out in their introduction, although *Topham* has always been primarily intended for law students, by reason of its clear and careful arrangement and presentation it has always had an appeal for accountancy and secretarial students also. In the new edition, that appeal has been heightened, because more space is devoted to practical points, for example, in connection with the formalities arising from incorporation.

The sections on private companies have been expanded. The very useful forms of balance sheets and profit and loss accounts prepared by Maurice Estrin, A.S.A.A., for the previous edition have been retained.

Altogether this is a vintage edition of a classic text-book.

Like *Topham*, the fourth edition of Farrar's *Company Law* sets itself the task of digesting and expounding the effect of the Companies Act, 1948, after some six years of practice and reported cases. In this it has succeeded. Practitioners and students may with confidence consult the new *Farrar*. It contains a comprehensive table of leading cases cited in the text. There is also a convenient index. The appendices include specimen forms of Memorandum and Articles.

One of the most valuable parts of this book is chapter 13, entitled "The Executive of A Company". It gives a full and clear account of the appointment, legal position and duties of directors and of the secretary.

The exposition of company law is set out in rather more detail in *Farrar* than in *Topham*. Both have the advantage of being well-indexed and are equally well arranged for easy reference. E.E.E.

The Speaking Eye. By Clark Smith. Pp. 223. (*Hammond, Hammond & Company, London:* 9s. 6d. net.)

THIS IS SOMETHING new in thrillers. The author is a qualified accountant and his hero is a rugged investigating accountant, who mixes physical toughness with sensitivity for figures (of both varieties). The narrative, if its suspense is not quite in the "I couldn't put it down" class, is an absorbing and readable specimen of the Chandler/Cheyney school.

Some readers of the book who may have gathered from other fiction an unflattering view of accountants, may on reading this book be constrained to revise their ideas. Nicky Mahoun, the investigator, is a virtuous and diligent seeker after Truth and the accurate financial statements that go with it, a man who risks his life unhesitatingly to complete his assignment faithfully, even though nothing more than a "take-over" bid by his principals lies at the end of it and he himself receives no particular reward. He has fewer human failings than "private eyes" created by many other thriller-writers, but he has a full share of their weakness for "dames."

Mr. Smith has what is perhaps an accountant-author's tendency to round off his characters to an extreme smoothness, to index them neatly and to place them in their appropriate columns and rows. He also has a social conscience, almost a desire for social reform, rare among writers of thriller novels.

There is some expert patter on auditing and investigations which the accountant will enjoy.

We look forward to reading about further assignments of Nicky Mahoun.

F.L.

Books Received

Jordan's Income Tax Guide, 1955–56. Compiled by Charles W. Chivers. Pp. 48. (*Jordan & Sons, Ltd.:* 25s. net.) (*See page* 306.)

'Taxation' Key to Income Tax and Sur-tax, 1955–56. Edited by Ronald Staples. Pp.223. (*Taxation Publishing Co., Ltd.:* 10s. net.) (*See page* 306.)

Legal Notes

Company Law—
Disclaimer by Liquidator

The Nottingham General Cemetery Co., which was incorporated by a special Act of 1836, carried on its undertaking successfully for many years but eventually, owing to restrictions imposed by a local Act on burials in its cemetery, the company could not carry on and the Court made an order for compulsory winding-up of the company as an unregistered company.

The liquidator had in hand funds sufficient to maintain the cemetery for two and a half years, and in **Re The Nottingham General Cemetery Co.** [1955] 3 W.L.R. 61, he took out a summons asking for leave to disclaim the freehold cemetery, all implied covenants with the holders of grave certificates and all contracts for the upkeep of graves in the cemetery. This was opposed by various parties on the grounds: (*a*) the cemetery was not "land burdened with onerous covenants" within the meaning of Section 323 of the Companies Act, 1948; (*b*) the Act of 1836 impliedly imposed a positive obligation on the company to carry on its undertaking indefinitely and therefore it could not alienate the land without which the undertaking could not be carried on, unless it was authorised to do so by a further special Act.

On the first point, Wynn-Parry, J., held that on a true construction of the Act of 1836 and the contracts made with the holders of grave certificates, the land was burdened with onerous covenants. On the second point, the undertaking had by force of circumstances already come to an end or was about to come to an end and there was no reason why the liquidator should not disclaim. Accordingly he gave the liquidator the relief for which he asked.

Interesting questions will no doubt arise hereafter on what is to be done about the maintenance of this cemetery.

Contract and Tort—
Loan of Servant

It often happens that a man who is in the general employment of A. is lent by A. to do some work for B. A series of cases has laid down rules governing the liability of the general employer and the temporary employer if an accident is caused by the servant's negligence while he is carrying out work for the temporary employer. The broad principle is that the temporary employer is liable if, but only if, the servant is transferred so completely that the temporary employer has the right to say not only what the servant is to do but how he is to do it. For example, if A. hires to B. a crane-driver and a crane, the right of control generally remains with A. and he would be liable for the crane-driver's negligence: on the other hand if A. hires out a crane-driver to drive B.'s crane, B. would probably be liable.

In **Denham v. Midland Employers Mutual Assurance Ltd.** [1955] 3 W.L.R. 84, the loan of a servant raised a somewhat different point of law. A. engaged B. to make test borings on his land and under the contract he lent to B. an unskilled labourer who was to work under the direction of B.'s skilled workmen. The labourer was killed by B.'s negligence, and B. admitted that he was liable to pay damages to the labourer's widow. Now B. had two insurance policies, one an employer's liability policy covering liability to any person under "a contract of service" with B. and the other a third party policy excluding liability to a person under a contract of service. The question was which insurance company was liable to indemnify B.

The Court of Appeal held that, although B. had the right to control the way in which the labourer was to work and would have been liable to a third party injured by the labourer's negligence, yet there was no contract of service between B. and the labourer. No contract of service could be transferred from one employer to another without the servant's consent and no consent had ever been given. The only contract of service was that between the labourer and A., who engaged him, who paid him and who could dismiss him.

Contract and Tort—
Place where Contract is Made

An English company in London and a Dutch company in Amsterdam communicated with each other by "Telex." They each had a teleprinter machine and a Telex number and, when one company wished to send a message to the other, the Post Office connected up the machines, a message being then tapped by a clerk at one end on his machine and passed instantaneously to the other machine, which automatically typed the message on to paper. Using this Telex process, the English company made an offer to the Dutch company, which was acting on behalf of American principals, and this offer was accepted. A dispute arose about the contract and in **Entores Ltd. v. Miles Far East Corporation** [1955] 3 W.L.R. 48, the English company applied to serve a writ out of the jurisdiction.

The application could be granted only if the contract had been made in England, and the question for the Court of Appeal was whether this contract had been made in England or in Amsterdam. The ordinary rule of law is that a contract is not complete until the acceptance of the offer has been communicated to the offeror, and when the parties make a contract in each other's presence no difficulty arises. It has long been held, however, that when an offer is made by letter the offeror impliedly makes the Post Office his agent to receive an acceptance and once an acceptance has been put in the post the contract is complete, even though the letter is lost in the post and never reaches the offeror. There was no previous authority on contracts made by telephone or Telex, and the Court held that the rule about instantaneous communications between distant parties was different from the rule about the post: a contract made by telephone or Telex was only complete when the acceptance was received by the offeror, and accordingly this contract was made in England where the acceptance was received.

Contract and Tort—
Assignment of Hire Purchase Agreement

Under the terms of a hire purchase agreement the hirer was forbidden to sell, offer for sale, assign or charge the goods or the benefit of the agreement. In breach of this term the hirer purported to sell the goods and as soon as the owners learnt of this sale, they gave notice terminating the agreement and sued the buyers in conversion for the value of the goods. The buyers then tendered the amount of the unpaid balance of hire, which was considerably less than the value of the goods, but the owners refused to accept the tender.

In **United Dominions Trust (Commercial) Ltd. v. Parkway Motors Ltd.** [1955] 1 W.L.R. 719, it was held that as the hire purchase agreement prohibited the hirer from assigning the goods or the benefit of the agreement, he passed no rights at all to the buyers and accordingly the owners were entitled to recover the full value of the goods.

Executorship Law and Trusts—Proper Fund for Payment of Debts and Legacies

By his will M. devised his real estate to his daughter and after bequeathing two legacies he bequeathed the residue of his personal estate upon trust, *inter alia*, that his just debts should be paid out of it. By subsequent codicils he revoked the devise to his daughter, for whom he made other provision, but he made no other disposition of his real estate. M. died solvent.

In **Re Martin deceased** [1955] 2 W.L.R. 1029 the executors took out a summons to decide from which fund the debts and legacies should be paid. Danckwerts, J., held that the direction about the payment of debts varied the provisions of the Administration of Estates Act, 1925, and therefore they were to be paid out of the personal estate, but that the legacies should be paid out of the real estate in accordance with paragraph 1 of Part II of Schedule I to that Act.

Executorship Law and Trusts—Construction of Will

In **Re Midgley deceased** [1955] 3 W.L.R. 119, a testatrix after bequeathing certain pecuniary legacies bequeathed the residue upon trust for sale to be divided in equal shares among six named persons with a proviso that if any beneficiary predeceased the testatrix his issue should take his share and further that, if any beneficiary predeceased the testatrix and left no issue, his share should be held as an accretion to the other shares. In a codicil the testatrix revoked the bequest of one of the shares.

Harman, J., held that this bequest was not a gift to a class, with the result that the revoked share did not accrue to the shares of the other beneficiaries but passed as on an intestacy. He also held that the pecuniary legacies were to be paid primarily out of this revoked share.

THE SOCIETY OF Incorporated Accountants

New Examination Syllabus

WE GIVE BELOW particulars of the new examination syllabus for the Intermediate and Final Examinations referred to in our note on page 284. This will come into operation with the November, 1957, examinations. The syllabus and other particulars of the examinations are given in a booklet obtainable by students, and others interested, from the Secretary of the Society at Incorporated Accountants' Hall.

INTERMEDIATE EXAMINATION

The following syllabus will come into operation with the November, 1957, examination.

Papers

	Hours
Accounting I	3
Accounting II	3
Auditing	3
Principles of Taxation	2
Elements of Financial and Commercial Knowledge	3
Elements of English, Irish or Scots Law	3
Total ..	17

TIME TABLE

1st day, Wednesday:
- 10.0 a.m.—1.0 p.m. Accounting I.
- 2.30 p.m.—5.30 p.m. Accounting II.

2nd day, Thursday:
- 10.0 a.m.—1.0 p.m. Auditing.
- 2.30 p.m.—4.30 p.m. Principles of Taxation.

3rd day, Friday:
- 10.0 a.m.—1.0 p.m. Elements of Financial and Commercial Knowledge.
- 2.30 p.m.—5.30 p.m Elements of English, Irish or Scots Law.

Qualifying Periods

The periods of qualifying service to be completed by a candidate before entry to the Intermediate Examination are:

Five Year Articles: on completion of 2 years' approved service.

Three Year Articles: on completion of 1 year's approved service.

Under the Bye-laws: on completion of 3 years' approved service.

Candidates who have obtained one of the prescribed degrees under the **Universities Scheme** may apply for exemption from the Intermediate Examination.

Intermediate Examination fee—£4 4s. 0d.

An application to sit the Intermediate Examination should be made on Form D(2).

SYLLABUS OF THE INTERMEDIATE EXAMINATION

The following syllabus will come into operation with the November, 1957, examination. It is emphasised that questions may be set on related subjects not specifically referred to below.

Accounting I and II

Accounting theory; balance sheets and accounts; partnership accounts; the books and records of a company; the form and content of published statements of companies; the reconstruction, absorption, amalgamation and liquidation of companies; consolidated accounts; executorship accounting; the elements of costing and the preparation of operating statements; accounts from incomplete records.

Auditing

Auditing theory; the nature and verification of transactions; internal controls; test checking and sampling procedures; auditing standards; statutory considerations; the principles of valuation and verification as applied to financial accounts; share-transfer audits.

Principles of Taxation

The principles and practices of direct income taxation—income tax, sur-tax and profits tax; death duties.

Elements of Financial and Commercial Knowledge

The elements of commerce and finance; the nature of security investments; insurance and banking organisations; borrowing and lending—the structure of the money market; shipping and stock exchange practices; the balance of payments—imports and exports.

Elements of English Law

The origins of the common law. The different senses of the term "common law." The development of the system of equity and the effect of the Judicature Acts. The development of legislation as a form of law, and the influence of the law merchant. The operation of statutes and subordinate legislation. Case law. The doctrine of precedent. Law reports. The judicial function. The Law Reform Committee. The constitutions and jurisdiction of the civil courts, including appellate courts. Administrative tribunals and arbitrations distinguished from the ordinary courts. The

legal profession and the relationship between barristers and solicitors. Legal persons. The distinction between natural and artificial persons, and the general problem of incapacity. The elements of company law (excluding liquidations and receiverships). General commercial law, with special reference to the law of contract. Sale of goods, and bills of exchange.

FINAL EXAMINATION

The following syllabus will come into operation with the November, 1957, examination.

Grouping of Papers in the Final Examination

PART I	Hours
Advanced Accounting I ..	3
Advanced Accounting II ..	3
Company, Partnership and Commercial Law	3
Law relating to Executorship, Insolvency and Arbitration ..	3
Total ..	12

PART II	Hours
Auditing and Investigations ..	3
Management Accounting with special reference to the Interpretation of Accounts and the Use of Costing Data.. ..	3
Economics and Financial Knowledge	3
Taxation	3
Total ..	12
Total: PARTS I and II ..	24

TIME TABLE

1st day, Tuesday:
- 10.0 a.m.—1.0 p.m. Advanced Accounting I.
- 2.30 p.m.—5.30 p.m. Advanced Accounting II.

2nd day, Wednesday:
- 10.0 a.m.—1.0 p.m. Company, Partnership and Commercial Law.
- 2.30 p.m.—5.30 p.m. Law relating to Executorship, Insolvency and Arbitration.

3rd day, Thursday:
- 10.0 a.m.—1.0 p.m. Auditing and Investigations.
- 2.30 p.m.—5.30 p.m. Management Accounting with special reference to the Interpretation of Accounts and the Use of Costing Data.

4th day, Friday:
- 10.0 a.m.—1.0 p.m. Economics and Financial Knowledge.
- 2.30 p.m.—5.30 p.m. Taxation.

FINAL EXAMINATION

REGULATIONS

(*The following regulations apply to the existing syllabus and the revised syllabus.*)

A candidate may elect to take the Final Examination in two parts, at separate sittings, in which case he must pass in Part I before he will be permitted to sit for Part II.

Alternatively, he may elect to sit for the whole of the Examination at one sitting. In this case he must pass in both Parts if he is to be regarded as having passed the Examination. In the event of a candidate failing in one part only, he may be re-examined separately in that Part at a subsequent date.

Qualifying Periods

A candidate is permitted to sit for the Final Examination on completion of the following periods of approved continuous qualifying service:

(*a*) **Five Year Articles**
- Part I: on completion of 3½ years' service.
- Part II: during the last year of Articles.
- Parts I and II together: during the last year of Articles.

(*b*) **Three Year Articles**
- Part I: during the last six months of Articles.
- Part II: on completion of Articles.
- Parts I and II together: on completion of Articles.

(*c*) **Under the Bye-Laws**
- Part I: on completion of 4½ years' service.
- Part II: on completion of 6 years' service.
- Parts I and II together: on completion of 6 years' service.

Examination Fees

Part I	£4 4s. 0d.
Part II	£4 4s. 0d.
Parts I and II (at one sitting)	£7 7s. 0d.

An application to sit the Final Examination should be made on Form D(3).

SYLLABUS OF THE FINAL EXAMINATION

The following syllabus will come into operation with the November, 1957, examination.

Advanced Accounting I and II

Accounting theory—principles and practices; concepts of business income; depreciation accounting; problems of stock valuation; the treatment of foreign currencies; the measurement of profits; the general nature of financial accounting; special applications of accounting practices and statutory considerations, e.g. companies, partnerships, departments, home and foreign branches, hire purchase, executorships and trusts, insolvencies and receiverships, classes of enterprises, statutory and non-statutory bodies; the double accounts system, central and local government; the measurement of goodwill; consolidation and aggregation—holding and subsidiary companies, regional and national accounts; reconstruction, amalgamation and absorption; new issues and share valuations. Mechanised accounting.

Note.—Any aspects of taxation which may arise will be incidental to the main part of the question.

Company, Partnership and Commercial Law

Meaning of corporate personality and distinction between incorporated and unincorporated associations.

Unincorporated Association: Legal basis and types of unincorporated association. Creation and constitution. Membership and expulsion. Contracts, torts and property. Dissolution. Proceedings by and against associations.

Partnership and Company Law: Partnerships, joint stock companies, unit trusts, and Industrial and Provident Societies.

Partnership under the Partnership Act, 1890, and the Limited Partnership Act, 1907. The firm name and property. Goodwill.

Formation of companies under the Companies Act, 1948. Types of companies. Limited liability. The nature and contents of the memorandum and articles of association. Flotation of companies, promoters and prospectuses. Capital. Shares and dividends. Debentures. Meetings and resolutions. Directors and other officers. Annual return, accounts and audit. Reconstruction and amalgamation. Inspection. Winding up.

Other Aspects of Commercial Law: Creation of the relationship of principal and agent. Scope of the agent's authority. Rights and duties of the principal and agent *inter se*. Passing of property by agents and the Factors Act, 1889. The legal position as regards third parties of the principal and the agent in connection with contracts and torts. Agent's commission. Agency of married women. Termination of agency.

The special rules relating to sale of goods under the Sale of Goods Act, 1893. C.i.f., f.o.b., and other special forms of international sales, and provision of finance by banker's commercial credits. Hire purchase agreements.

Cheques and bills of exchange. Carriage by sea and land, and general principles of insurance law.

Law Relating to Executorship, Insolvency and Arbitration

Executorship: Meaning and object of law of succession. The making and revocation of wills. The appointment of executors. Probate of wills. Devises and legacies. Construction of wills. The Inheritance (Family Provisions) Act, 1938. Intestate succession. Grant of administration. Revocation of grants of probate and administration. Devolution of estates of testators and intestates. Powers, duties and liabilities of personal representatives. Administration of assets. Death duties.

Insolvency: Meaning and effect of insolvency. Fundamental characteristics and objects of bankruptcy.

Deeds of arrangement. Nature of a deed of arrangement. Publicity by registration. Rights and duties of creditors. The position of the trustee.

Courts having jurisdiction in bankruptcy.

Who can be made bankrupt. Acts of bankruptcy. Presentation and hearing of a

petition. Effect of a receiving order. Rescission of a receiving order.

Statement of affairs. Meetings of creditors and public and private examinations. Composition or scheme of arrangement. Adjudication and effect of bankruptcy.

The appointment, removal, powers and duties of trustees in bankruptcy and committee of inspection.

Relation back. Property divisible among creditors. Property not vested in the bankrupt at adjudication. Management of the bankrupt's property. Proof of debts. Order of payment of debts. Declaration of dividends. Discharge of bankrupt.

Special cases administered in bankruptcy, viz. summary cases; administration of deceased insolvent estates; receiving order made on a judgment summons; and administration orders.

Arbitration: the nature of an arbitration. Arbitration compared with actions at law. Arbitrations distinguished from valuations.

References arising from a submission. The Arbitration Act, 1950. The arbitration agreement; the parties; the subject-matter; appointment and removal of arbitrators and/or umpire.

Conduct of an arbitration. Powers and duties and personal rights and liabilities of the arbitrator, and the umpire.

Principal rules of evidence applicable to arbitrations.

Preparation and publication of award. Effect of an award. Methods of enforcing and of impeaching an award.

Costs.

The application of the Arbitration Act, 1950, to statutory arbitrations.

Control of the reference by the Court.

Auditing and Investigations

Auditing theory and practice; the nature and verification of transactions—mechanised recordings; the scope of the examination of physical and financial records; internal controls and internal auditing; test checking and sampling procedures; statutory considerations — appointments, duties, responsibilities and reports; the principles of valuation and verification; the prevention and detection of fraud; special classes of audits; accounting practices relating to prospectuses; investigations and special purpose reports; independent auditing standards; case law and the interpretation of negligence.

Management Accounting with Special Reference to Interpretation of Accounts and the use of Costing Data

The use, the analysis and interpretation of accounts; measures of effectiveness, forms of operating statements, the analysis of changes, statistical interpretations including methods of portraying financial results, trends and performances. Sources of finance, investment of liquid resources, forecasting cash requirements, reporting on the financial aspects of proposals for capital development, credit control, budgetary principles and forms, short term profit and loss accounts and balance sheets. The interpretation and use of statistics for managerial control, physical records, control of stocks of material and work in progress, office methods and mechanisation. The principles of job, product, process, standard and marginal costing; the use of costing data for control purposes, and the principles of the "break-even" chart.

Economics and Financial Knowledge

Income and wealth; the national income and the social accounts. The theory of value: demand and supply; competition and monopoly. Production and distribution theory: the marginal principle and the law of substitution. Theories of wages, rent, profits and interest.

Money and banking: the nature, functions and value of money. The banking system and the money market: the creation of credit; the Bank of England. The price level; industrial fluctuations. Stock exchanges and share prices; company finance and capital structure. Insurance and other financial institutions.

International trade: the theory of international trade and trade restrictions; the theory and practice of foreign exchange; the balance of payments.

Economic policy: national budgeting; taxation; the regulation of trade, production, and monopolies; the economics of social legislation. Current economic and financial problems.

Taxation

The nature and purpose of direct taxation; the principles of income taxation—income tax, sur-tax and profits tax; the income tax and finance acts; computations and assessments; practical problems, appeals and repayment claims; methods of administration; dominion and foreign taxation in relation to the United Kingdom taxation; case law and concessions; death duties.

MODIFIED PRELIMINARY EXAMINATION

The Modified Preliminary Examination will not be conducted after May, 1956.

District Societies and Branches

Irish Branch

Annual Report

THE COUNCIL RECORDS with regret the death during the year of Mr. J. H. Allen of Belfast, a past President of the District Society of Northern Ireland, and of Mr. T. M. Jamieson, Mr. G. J. O'Callaghan and Mr. J. Reilly, all of Dublin.

The total Membership of the Society in Ireland amounts to 331 comprising 81 Fellows and 250 Associates.

The four Students' Societies in Dublin, Belfast, Waterford and Cork have held lectures and other events. Attendances have been good and thanks are due to the officers and committees.

The Dublin Students' Society held a successful refresher course prior to the May 1955 examinations. The attendance was representative of all parts of Ireland, and included, by invitation, students for the examinations of the Institute and the Association.

At the examinations held in Dublin and Belfast in 1954, fifteen candidates completed the Final Examination, fourteen passed in one Part, and forty-one passed the Intermediate. The Council congratulates the recipients of the Irish Jubilee Prizes for 1954: Mr. B. A. G. Murphy, Dublin (Final), and Mr. F. Crawford Shaw, Belfast (Intermediate).

Social and other functions were held at various centres throughout the year.

South African (Western) Branch

THE ANNUAL GENERAL MEETING was held in Cape Town on May 5.

The Chairman, Mr. A. C. Sargeant, referred to the loss sustained by the deaths of Mr. K. C. M. Hands and Mr. D. Woodhead, and asked the members to stand as a mark of respect. He spoke of the work of the Public Accountants' and Auditors' Board, and expressed the thanks of the members to the Society's representatives.

The report and accounts were adopted. The retiring Committee members were re-elected, and Mr. A. F. Fisher was re-elected auditor.

Mr. C. D. Gibson moved a vote of thanks to the Chairman, which was carried with acclamation.

London

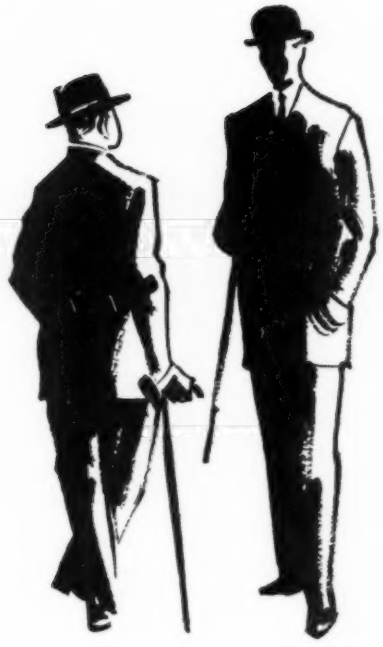
MR. S. L. PLEASANCE presided at the annual general meeting of the Incorporated Accountants' London and District Society, which was held at Incorporated Accountants' Hall on June 27.

In the course of his address, the Chairman referred to the support given to the Committee by members of the Society. He said that suggestions and criticisms were always needed: they gave the Committee some idea of what members wanted. Committee members were recruited from those active in the affairs of the Society, in both the social and academic spheres, and nominations could be submitted by members at the annual general meeting under the provisions of Rule 12. He thanked the Committee and members for their support during his term of office.

Mr. Pleasance moved the adoption of the report and accounts. This was seconded by Mr. J. A. Allen and carried unanimously.

The Chairman reported that under the provisions of Rule 5(*b*) six members of the Committee retired and were eligible for re-election, and in addition Mr. L. F. Tate had been nominated under the provisions of Rule 12. As there were seven candidates for six vacancies ballot papers had been prepared to ascertain members' wishes.

The ballot having been taken, the Chairman announced that the following had been elected members of the Committee: Mr. R.



How *does* the smaller firm raise new capital?

For new buildings, new plant or general expansion, the best answer is ICFC. More than £28,000,000 has been loaned by the Corporation, to assist the development of over 500 industrial companies in Great Britain. ICFC provides long-term loans and share capital, in amounts between £5,000 and £200,000.

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ALL ACCOUNTANTS SHOULD READ

The City Observer

ESTABLISHED 1856

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THE CITY OBSERVER is the monthly paper of British business, reporting on company and tax matters, financial results and accountancy problems for industry, trade, finance and commerce.

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The City Observer

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CITY OF LONDON COLLEGE
Moorgate, E.C.2

EVENING COURSES
in preparation for the examinations
of the
SOCIETY
and special lectures on
Income Tax and Profits Tax
commence on 26th September, 1955

A SIX MONTHS' COURSE
for
Newly Articled Clerks
will be held on Monday mornings
commencing on 26th September, 1955

Enrolment:
19th September
(last session's students only)
20th and 21st September
from 5 to 8 p.m.

Further particulars may be obtained from the Secretary of the College
(MONarch 8112/3/4)

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MR. JAMES A. ALLEN, F.S.A.A.

Mr. Allen is the new Chairman of the Incorporated Accountants' London and District Society. After serving articles with the late Mr. A. H. Hughes, F.S.A.A., *he became a member of the Society in 1937. During World War II he served as an officer in the Royal Marines, and in 1946 he commenced practice as a partner in Messrs. Hughes & Allen, Incorporated Accountants.*

Mr. Allen has been a member of the Committee of the Incorporated Accountants' Students' Society of London since 1936, and of the Incorporated Accountants' London & District Society since 1947. He held the office of President of the Students' Society in 1951/52. For the last five years he has been one of the auditors of the Society of Incorporated Accountants.

N. Barnett, Mr. J. W. Cooke, Mr. W. F. Edwards, Mr. H. L. Layton, Mr. F. R. Squires, Mr. C. J. F. Wilkinson.

It was reported that Mr. W. J. Back and Mr. F. R. Witty had resigned from the Committee under the provisions of Rule 5(*c*), and the Committee had appointed Mr. H. Gordon Smith and Mr. J. G. W. Cuthbert to fill the two vacancies. The Chairman proposed that the election of these two members be confirmed. This was seconded by Sir Richard Yeabsley and carried unanimously.

Mr. L. W. Lowe moved that Mr. C. B. Hewitt, Incorporated Accountant, London, be re-elected Honorary Auditor of the District Society, with a vote of thanks for his past services. Mr. K. C. Reeve seconded the resolution, which was carried unanimously.

A vote of thanks to the Chairman for his services over the past year was proposed by Mr. H. Basil Sheasby and carried with acclamation.

At a subsequent meeting of the Committee Mr. J. A. Allen, F.S.A.A., was elected Chairman, and Mr. W. J. Crafter, F.S.A.A., Vice-Chairman. Mr. L. Quinton, B.A., B.SC., A.S.A.A., was re-elected Honorary Auditor.

London Students' Society

THE SIXTY-FOURTH annual general meeting of the Incorporated Accountants' Students' Society of London was held at Incorporated Accountants' Hall, on June 20.

The President, Mr. E. Cassleton Elliott, referred to the statement in the report that no member of the London Students' Society had been awarded honours in the Final Examinations held in 1954. He hoped that better results would be achieved in 1955. Success in examinations depended not only upon attendance at lectures but on contacts and friendship with other students and the subsequent exchange of opinion and information. Students were urged to take part in all the activities of the Society for that reason. Neither the examiners nor the Committee gained any satisfaction from failing examination candidates—the purpose of the examination was to find out the extent of the student's knowledge, and, provided candidates applied themselves diligently to their studies and practical work, there was no reason why they should not be successful.

The President read a letter from Mr. A. V. Hussey, the retiring senior committee member, who was prevented by illness from attending the meeting, and expressed appreciation of Mr. Hussey's work and interest on behalf of the Society during the past fifteen years. It was unanimously decided that a letter be sent to Mr. Hussey on behalf of all members, conveying their best wishes for his complete recovery and their appreciation of his services.

The President expressed members' good wishes to Mr. A. S. Pearson, a former Chairman of the Committee, and hoped that he would soon be restored to health.

The President then moved that the report and accounts for the year 1954 be adopted. This was seconded by Mr. J. M. Keyworth.

Mr. N. F. Edwards asked that more detailed information be given in the annual report: for example, the membership divided between articled clerks and bye-law candidates, and the number of resignations since the previous report. He asked that the number attending the courses at Ashridge and King's College should be divided between Intermediate, Part I and Part II candidates, and that an indication should be given of the members of the Committee divided between senior and junior members. He also contended that the figures shown for Ashridge and King's should be shown in the accounts as gross figures. He asked that future reports should include references to visits which had been arranged for students during the previous year, such as that to Vauxhall Motors, and mechanised accounting demonstrations. He expressed the view that the rule which required nominations for membership of the Committee to be forwarded in January was unrealistic, since the majority of students did not know when a vacancy required to be filled. He also contended that a Students' Society organisation should not be controlled by a committee consisting mainly of qualified members. Mr. Edwards thought that the courses at Ashridge were far more satisfactory than King's, and that consequently it would be better to hold two courses at Ashridge. He thought that the deficit at Ashridge could be reduced by increasing the fees to students; he felt that this would not affect the number attending, and that many firms would be prepared to pay the Ashridge fees if asked to do so. He expressed some doubt upon the value of *Transactions* in relation to the cost of production. Mr. Edwards also thought that letters of congratulation should be sent to members when they qualified and attempts be made to retain their membership—possibly by a reduction in subscription. Other suggestions made by Mr. Edwards were the re-investment of the Society's capital; organisation of discussion courses; and visits to head offices of banks.

In reply, the President said that Mr. Edwards's suggestions would be placed before the Committee for consideration.

The adoption of the report and accounts was then put to the meeting and carried unanimously.

The President presented Students' Society prizes to the following members for the excellent results they had obtained at the Intermediate Examination of the parent Society in 1954: Peter George Morrison, Reginald Taylor.

The President announced that in accordance with the provisions of Rule 12(*f*) Mr. D. E. Hamment had been appointed a member of the Committee. Confirmation of his election was proposed by Mr. J. A. Allen, seconded by Mr. J. P. S. Edge-Partington and carried unanimously. Under Rule 13(*b*), Miss P. E. Groves, a junior member, retired, and, being eligible, offered herself for re-election. Miss Groves's re-election—proposed by G. F. D. Rice and seconded by Mr. J. V. Wilson—was carried unanimously.

The re-election of Mr. L. G. Mansfield and Mr. Warwick G. Payne as the Society's auditors was proposed and seconded by student members attending and carried unanimously.

A vote of thanks to Mr. E. Cassleton Elliott for his work as President of the Students' Society was proposed by Mr. J. M. Keyworth, and was carried with acclamation.

At a subsequent committee meeting the following officers were elected: President, Mr. J. A. Jackson, F.C.A., F.S.A.A.; Chairman, Mr. J. P. S. Edge-Partington, A.C.A., A.S.A.A.; Vice-Chairman, Mr. D. S. Morris, A.S.A.A.

Mr. J. A. Jackson, the newly elected President, became a member of the Institute of Chartered Accountants in 1927 and of the Society of Incorporated Accountants in 1939. In the latter year he was admitted to partnership in Messrs. Lithgow, Nelson & Co., Incorporated Accountants,

of London, Liverpool and Southport. He was Chairman in 1951–52 of the Incorporated Accountants' District Society of London. He is a member of the Incorporated Accountants' Research Committee and of the Taxation Committee of the London Chamber of Commerce.

Liverpool

MR. C. PEARSON,
F.C.A., F.S.A.A., A.A.C.C.A.

Mr. Clifford Pearson has been elected President of the Incorporated Accountants' District Society of Liverpool. He has been a member of the District Society Committee since 1938, and was Chairman of the Students' Section from 1942 to 1950.

Mr. Pearson is a partner in Messrs. Sheard, Vickers & Winder, Liverpool, and Messrs. Winder & Lloyd, London. He was admitted to partnership in the Liverpool firm in 1949 after several years with them and previously at Bury with Messrs. C. M. Merchant & Son, whom he joined in 1927.

He qualified as an Incorporated Accountant in 1937, and in 1949 became a member of the Institute of Chartered Accountants. He had already become a Certified Accountant in 1933.

Annual Report

THE MEMBERSHIP ON March 31 comprised 59 Fellows, 337 Associates, and 328 students—total 724.

Congratulations are extended to Mr. Bertram Nelson on his election as President of the parent Society, and to Mr. F. W. Frodsham, who was recently elected President of the Liverpool Branch of the Institute of Cost and Works Accountants. Both are members of the District Society Committee.

Students' lectures were held in the weeks before the examinations, and a successful residential course took place in April, 1954, with the support of adjacent District Societies.

The Committee gave a dinner to those who had passed their Final Examination during 1954. This was followed by a useful discussion on policy.

The biennial dinner was held in November.

A branch has been formed in Southport, and a students' branch in the Isle of Man.

The Committee congratulates the students who were successful in the examinations. Mr. E. R. Kermode obtained honours in the Final, and Mr. W. H. Gard in the Intermediate.

West of England

MR. F. P. L. ROBERTS, F.S.A.A.

Mr. Frederick Percy Leslie Roberts, the new President of the West of England District Society of Incorporated Accountants, has been a partner in the firm of Solomon Hare & Co., Incorporated Accountants, Bristol, since 1947.

He first entered the profession in 1916, in the office of Messrs. Duart-Smith, Baker & Price, Incorporated Accountants, of Gloucester. After serving in World War I from 1917 to 1918 he returned to Gloucester, and later was articled to the late Alderman F. A. Webber, O.B.E., F.S.A.A., *of Bristol. He qualified in 1927, and remained in the service of Mr. Webber until the latter's death in 1947.*

Mr. Roberts has served on the Committee of the District Society since 1936, and was Assistant Hon. Secretary from 1936 to 1947 and Hon. Secretary and Treasurer from 1947 until 1951.

THE ANNUAL GENERAL MEETING was held in Bristol on June 8. Mr. Harold F. Leach, R.D., President, was in the chair.

The annual report and financial statement were approved upon the proposition of Mr. D. M. Millis, seconded by Mr. R. Peel. The retiring members of the Committee were re-elected, and the following additional members were elected: Mr. W. L. Abbott, Mr. R. G. Coleman, Mr. B. H. Fish, and Mr. H. A. Thody.

Mr. John S. W. Bernard was re-elected Hon. Auditor, with a vote of thanks for his services during the year.

The congratulations of the District Society were sent to Mr. T. R. Johnson upon his election as President of the Institute of Municipal Treasurers and Accountants.

On the motion of Mr. R. F. Emmerson, a vote of thanks to the President for his services to the District Society was carried with acclamation.

At a subsequent Committee meeting Mr. F. P. L. Roberts was elected President and Mr. R. J. Hulbert Vice-President. Mr. F. C. Smailes was re-elected Hon. Secretary and Treasurer.

Annual Report

THE MEMBERSHIP NUMBERS 257 Fellows and Associates, and there are 192 members of the Students' Section. Last year's figures were 243 and 187.

The Students' Section arranged a regular fortnightly programme of lectures throughout the winter.

A mock income tax appeal was held in March, 1955. Thanks are due to the staff of the Inland Revenue Training Centre for a very successful evening. Meetings were again held at Gloucester, Swindon and Taunton, and the Committee hopes to extend these when the opportunity arises.

During 1954, fifteen students passed the Final Examination and eleven the Intermediate.

Contacts are maintained with schools and with the Central Youth Employment Executive Committee.

Reports have been made to the Research Committee during the year. Several members of the District Society are engaged on research projects.

A group provident fund was commenced, in conjunction with the British United Provident Association, to enable participating members and their families to receive hospital and specialist treatment as private patients.

The Committee welcome the establishment of a Chair of Accounting at the University of Bristol, and the appointment from August 1, 1955, of Mr. David Solomons, B.COM., A.C.A., as its first occupant. The District Society is represented on the Board of Accountancy Studies by Mr. Ivor P. Ray and Mr. Hugh O. Johnson.

Pre-examination Courses

NON-RESIDENTIAL PRE-EXAMINATION courses for both Intermediate and Final candidates will be held at King's College, London, from Monday, September 26, to Friday, September 30.

These courses, which are organised by the Incorporated Accountants' Students' Society of London, are open to examination candidates from any part of the United Kingdom and the Republic of Ireland. Application forms may be obtained direct from the Secretary of the London Students' Society or from Honorary Secretaries of District Societies. The closing date for receiving applications is Wednesday, September 14.

The cost to each student will be as follows:

Intermediate Course	£3	0s.	0d.
Final Course—Parts I & II	£3	0s.	0d.
Final Course—Part I only	£1	10s.	0d.
Final Course—Part II only	£1	10s.	0d.

The programmes for the courses are as follows:

INTERMEDIATE COURSE—SEPTEMBER 26 TO 30.

Personal Computations and Returns of Income, by Mr. K. S. Carmichael, A.C.A.; *Taxation in Company Accounts*, by Mr. K. S. Carmichael, A.C.A.; *Law of Contract*, by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law; *Sale of Goods Act*, by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law; *Schedules A, B, C and E*, by Mr. L. A. Hall, A.C.A., A.S.A.A.; *Schedule D Computations*, by Mr. L. A. Hall, A.C.A., A.S.A.A.; *Accounts in Bankruptcy and Liquidation*, by Mr. K. S. Carmichael, A.C.A.; *Costing*, by Mr. K. S. Carmichael, A.C.A.; *Branch Accounts*, by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.; *Estate Duty Accounts and Apportionments*, by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.; *Company Accounts—I*, by Mr. K. S. Carmichael, A.C.A.; *Company Accounts—II*, by Mr. K. S. Carmichael, A.C.A.; *Partnership Accounts*, by Mr. R. Glynne Williams, F.C.A.; *Incomplete Records*, by Mr. R. Glynne Williams, F.C.A.; *Negotiable Instruments*, by Mr. C. H. Beaumont, Barrister-at-Law; *The Elements of Company Law*, by Mr. C. H. Beaumont, Barrister-at-Law; *Auditing—I*, by Mr. A. C. Simmonds, F.S.A.A.; *Auditing—II*, by Mr. A. C. Simmonds, F.S.A.A.; *Banking, Shipping and Insurance*, by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM.; *The Stock Exchange*, by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM.

FINAL COURSE—PART I—SEPTEMBER 26 TO 28.

Group Accounts—I, by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.; *Group Accounts—II*, by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.; *Partnership Accounts*, by Mr. R. Glynne Williams, F.C.A.; *Branch Accounts*, by Mr. R. Glynne Williams, F.C.A.; *Executorship Accounts*, by Mr. J. Linahan, A.S.A.A.; *Company Accounts*, by Mr. J. F. Bateman, B.COM., A.C.A.; *Costing—I*, by Mr. V. S. Hockley, B.COM., C.A.; *Costing—II*, by Mr. V. S. Hockley, B.COM., C.A.; *Auditing—I*, by Mr. A. C. Simmonds, F.S.A.A.; *Auditing—II*, by Mr. A. C. Simmonds, F.S.A.A.

FINAL COURSE—PART II—SEPTEMBER 28 to 30.

Company Law and Partnership Law, by Mr. C. H. Beaumont, Barrister-at-Law; *Executorship Law and Trustees*, by Mr. C. H. Beaumont, Barrister-at-Law; *Profits Tax*, by Mr. L. A. Hall, A.C.A., A.S.A.A.; *Capital Allowances*, by Mr. L. A. Hall, A.C.A., A.S.A.A.; *Capital Structure of Companies*, by Mr. L. T. Little, B.SC.(ECON.); *The Banking System and the Money Market*, by Mr. L. T. Little, B.SC.(ECON.); *Schedule D with Particular Reference to Partnerships and Reliefs for Losses*, by Mr. L. A. Hall, A.C.A., A.S.A.A.; *Law of Contract*, by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law; *Bankruptcy and Liquidation*, by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

Results
OF EXAMINATIONS

MAY 1955

FINAL EXAMINATION
*PARTS I AND II**

Honours Candidates (4)

HARDING, David Henry (with Arthur E. Green & Co.), London. (*First Certificate of Merit and First Prize.*)

POTTER, William Sydney (with R. Bryn Owen), Derby. (*Second Certificate of Merit and Second Prize.*)

NORTHAGE, Derek Henry (with Kingston, Smith & Co.), London. (*Third Certificate of Merit.*)

GARNER, Aubrey Edward (with Keens, Shay, Keens & Co.), Bletchley. (*Fourth Certificate of Merit.*)

Candidates Passed (290)

Accrington—BIRTWISTLE, James (with P. F. Pierce & Co.).

Ashby-de-la-Zouch—LEE, Peter (with Johnson, Murkett & Hurst).

Bedford—HADDON, Jack Albert (with Keens, Shay, Keens & Co.); SNAPE, Roy (with Keens, Shay, Keens & Co.).

Belfast—CROMIE, Joseph Alexander (with Rawlinson, Allen & White).

Birkenhead—FORSTER, David Anthony (with K. H. Wrigley & Co.).

Birmingham—HAWKINS, Robert Henry Dennis (with C. Herbert Smith & Russell); MITCHELL, William (with Whitehill Marsh Jackson & Co.); WEBB, James Maurice (with P. H. Stone & Co.); WILLSON, Stanley William (with Hackett & Oliver).

Blackburn—BLACKSHAW, Keith Fielden (with Wm. Heppard & Sons); SMITH, Colin Thomas (with Nathaniel Duxbury, Son & Co.).

Blackpool—MALTMAN, Peter McIntosh (with Bowman, Grimshaw & Co.); MELIA, Jack (with William Harling).

Bolton—STEVENS, Roy (with James Barlow & Son).

Boston—SAUNDERS, Norman Stanley (with Stephenson, Smart & Co.).

Bombay—GHERDA, Kersi Minocher, B.COM. (formerly with D. H. Kabraji & Co.).

Bournemouth—EALES, Christopher Owen Staniford (formerly with Malpas, Simmons & Co.); STEPHENSON, Rowland Ernest (with Malpas, Simmons & Co.).

Bradford—COSGROVE, Hayden Arthur (with Firth, Parish & Clarke); GINZ, Ernest David (with Auker, Horsfield & Longbottom); HALL, Philip Stuart (formerly with Richards, Russam & Co.); HARKER, Godfrey Howard (with Smith & Haywood); KILBURN, Jack (with Rhodes, Stringer & Co.); KRAUSE, David Michael (with Rushworth, Ingham & Rhodes); TAYLOR, Brian (with Glass & Moss); WINT, Antony Willis (with Rhodes, Stringer & Co.).

Bridgend—REID, John Martin (with Tudor Davies, Down & Co.).

Bristol—ENGLAND, Jack Edward (Audit Department, C.W.S.).

Bury—BURNS, Neil (Borough Treasurer's Department).

Calcutta—BANERJEE, Manas Kumar (formerly with G. Basu & Co.); DASDALAL, Ajit Kumar, (formerly with S. K. Ghosh & Co.).

Cambridge—HARRISON, Brian George (with Allan, Charlesworth & Co.); KILLEEN, Roy Edward (formerly with Slater, Dominy & Swann); ROMANO, Angelo Nicolino (with Allan, Charlesworth & Co.).

Cardiff—ASHTON, Michael (with R. H. March, Son & Co.); BOOY, Edward Joseph James (with Saunders, Horton, Evans &

*This list includes the names of candidates who had previously satisfied the Examiners in one Part, and have now completed the Final Examination by passing the other Part.

FINAL	HONOURS INTERMEDIATE	PRELIMINARY
4	7	1

SUMMARY FINAL

	Parts I & II	Part I	Part II	Inter-mediate	Pre-liminary	Modified Pre-liminary
Candidates Passed ..	27	357	241	309	34	24
Candidates Failed ..	42	316	117	404	100	43

14 Candidates who sat for Parts I and II of the Final Examination satisfied the Examiners in Part I only.

4 Candidates who sat for Parts I and II of the Final Examination satisfied the Examiners in Part II only.

Co.); BREWER, Peter Raymond (with Deloitte, Plender, Griffiths & Co.); GRAHAM, Malcolm Stuart (with Jones, Robathan, Thompson & Co.); MILLER, Harold Williamson (with Deloitte, Plender, Griffiths & Co.); PHILLIPS, Malcolm Alister (with Ross, Jones & Co.); RENSHAW, Eric (with Ernest Holbrook & Co.); THOMAS, Norman Gerard (with Ross, Jones & Co.).

Carlisle—FROST, Peter Bryant (Ministry of Housing & Local Government).

Chatham—MORRIS, Bernard James (MacLeod, Morris & Co.).

Chelmsford—GOLDING, Herbert William (with Luckin & Sheldrake).

Cirencester—WHITTALL, Cyril (with Midwinter & Rhodes).

Clacton-on-Sea—DOE, Peter Henry (with Norfolk, Pawsey & Co.).

Cleckheaton—STEAD, Arthur (with Peat, Marwick, Mitchell & Co.).

Cork—O'CALLAGHAN, John, B.COM. (with T. J. Clifford).

Coventry—POLLARD, Geoffrey Samuel (City Treasurer's Department).

Croydon—MARSHALL, Stewart Anthony, B.A.(COM.), (with Feakins, English & Co.).

Darlington—LAWRENCE, John Richard (Borough Treasurer's Department); SPRATT, Harold Anthony (with Peat, Marwick, Mitchell & Co.).

Derby—MARSH, Hubert (with R. J. Weston & Co.).

Dorchester—HARRIS, Peter Rowland (with Edwards & Edwards); RIGGS, Martyn Derek (with Edwards & Edwards).

Dorking—CHAPLIN, Brian Alfred (with Crane, Crinkley & Co.)

Dublin—MCELROY, William Patrick (with Cooper & Kenny); STRICKLAND, James Augustine (with Purtill and Company).

Dundalk—VAN DESSEL, Jan Bernard (with Kearney, Martin & Co.).

Edinburgh—PATERSON, George (Department of Health).

Glasgow—CRAWFORD, Duncan Stalker (with Robert Fraser); CURRIE, John (with Moores, Carson & Watson).

Gloucester—PARRY, Peter (with Duart-Smith, Baker & Price).

Guernsey, C.I.—LE PREVOST, Roy John (with Black, Geoghegan & Till).

Harrow—ASTILL, Peter William (with Beverley, Simpson & Co); MEAD, Michael Frederick (with E. T. Mackrill & Co.).

Hereford—FARNHAM, Lawrence (County Treasurer's Department).

Hove—ALLEN, Kenneth Charles (with Nevill, Hovey, Gardner & Co.); HEAVER, Richard Stanley (with Russell, Fleming, Boys & Co.).

Hull—HIAM, Edward Guy Searle (with Carlill, Burkinshaw & Ferguson); MIDGLEY, Arthur Leslie (with Tranmer, Raine & Jarratt); STONE, Kenneth (with Dutton, Moore & Co.); SUDDABY, Gilbert Peter (with Hodgson, Harris & Co.).

Hungerford—WHITMAN, Roy Arthur (with Harmon Smith & Co.).

Hyderabad, India—MUHAMMAD, Karimuddin, B.A. (formerly with S. B. Billimoria & Co.).

Kampala, Uganda—TOWSEY, Peter Aloysius, B.COM. (formerly with Lawrie, Prophet & Co.).

Kettering—CHEANEY, Bryan (with Hodge & Baxter).

Leeds—CLARKSON, Donald (with Thomas Coombs & Son); FALDING, Gordon Wilson (with Beevers & Adgie); HICKS, Thomas Henry (with Victor Walton & Co.); HODGETTS, Anthony John (with Frank Hall); HUTTON, William (with Victor Walton & Co.); LINDSAY, Gilbert Blair (City Treasurer's Department); NIVEN, Ian (with Bartfield & Co.); THOMPSON, Eric (with Blackburns, Robson, Coates & Co.).

Leicester—BLUNDELL, James Brian (with Alfred G. Deacon & Co.); CATLIN, Alan George (with S. & S. A. Holyland); COONEY, Peter John (formerly with Herbert Godkin & Co.); CUFFLIN, David Robert Palmer (with Thomas May & Co.); GARSIDE, Roger George (with C. F. Ross).

Lincoln—WINTER, Michael (with J. Nicholson & Co.).

Liverpool—AINSCOUGH, Harold Frederick James (with Bailey, Page & Co.); CHARLES, Michael David (with W. T. Walton & Son); CHEW, Lawrence Richard (with Cooper Brothers & Co.); PRITCHARD, Reginald Alfred (with Noon & Elsworth); RICHARDSON, James (with Edmund D. White & Sons); SUMMERSKILL, James Rodney, B.COM. (with J. Summerskill & Son); TREMBATH, Ernest (with Dawson, Graves & Co.).

London—ADDISON, Robert John (with Deloitte, Plender, Griffiths & Co.); ARBEN, Alan William (with Moore, Stephens & Co.); AYTON, Ronald Benjamin (with Harris, Funnell & Co.); BALA, Ted Joseph (with Garvin, Cantor & Co.); BANKS, Derek Arthur (with Graves, Causer & Co.); BENBOW, David Thomas (with Deloitte, Plender, Griffiths & Co.); BERRY, Derek (with Shipley, Blackburn, Sutton & Co.); BOLE, Samuel Alfred (with Hill, Vellacott & Co.); BOTTOMS, Clifford Frederick Douglas (with Cassleton Elliott & Co.); BRADSTREET, Robert Leonard (with Wilson, Davis & Co.); BROOKES, Leonard Edward (with Becker-Jones, Piner & Co.); BURKE, Jeffrey (with Barton, Mayhew & Co.); CASBOLT, George Edward (with Albert Goodman & Co.); COHEN, Laurence (with J. L. Lichman & Co.); COHEN, Norman Alan, B.A. (with Maurice Thei, Alder & Co.); COULING, Paul William (with Hepburn, Hagley & Knight); CRANE, Peter Edward (with A. T. Chenhalls & Co.); DAVIES, Bernard Colson (with Deloitte, Plender, Griffiths & Co.); DENNISON, John William Alexander (with Whinney, Smith & Whinney); DUNMALL, Kenneth John (with Deloitte, Plender, Griffiths & Co.); EASTON, Peter Francis (with Pawley & Malyon); EDLER, Henry James (with Sewell, Hutchinson & Co.); ELLACOTT, John Gallon (with Deloitte, Plender, Griffiths & Co.); EVANS, John Frederick Hester (Borough Treasurer's Department, Wandsworth); FARRELL, John Patrick (with Wright, Fairbrother & Steel); FOX, Henry John (with Luff, Smith & Co.); FULLER, Leon (with Edward Em. Sander & Co.); GADD, Ernest George (with Blakemore, Elgar & Co.); GARDINER, Michael Henry (with W. B. Keen & Co.); GARLICK, David William (with Hatfield, Dixon, Roberts, Wright & Co.); GODDARD, Ronald Arthur (with Smallfield, Fitzhugh, Tillett & Co.); GOODIN, John George (with Reginald L. Tayler, Hounsfield & Co.); GOODMAN, Harry Leonard (with Limebeer & Co.); GREEN, Sidney Ernest (with Blackborn & Wilton); GROSE, Brian Crawford (with Pawley & Malyon); GROVES, Patricia Elsie (with Morgan, Back & Co.); HAGGAR, Anthony James (with Allen, Baldry, Holman & Best); HAMMENT, Denis Ernest (with Stanley Gorrie, Whitson & Co.); HARVEY, Eric Leslie (with Blakemore, Elgar & Co.); HAYES, Geoffrey Michael George (with West, Wake, Price & Co.); HEAD, Robert Harold (with Moore, Stephens & Co.); HEATH, Richard Barham (with Bryden, Johnson & Co.); HIBBITT, Raymond Arthur (with Mellors, Basden & Co.); HICKEY, James Arthur (with Herbert Pepper & Rudland); HIGGINS, Derek Leonard (with Deloitte, Plender, Griffiths & Co.); HOARE, Eric Angus (with Peat, Marwick, Mitchell & Co.); HOLLEDGE, Donald Arthur (with Gray, Stainforth & Co.); HOY, Michael Neil (with Turquand, Youngs & Co.); HUDD, Frederick Owen (formerly with F. Sykes & Co.); IVEY, George Alfred Cecil (Borough Treasurer's Department, Fulham); JENNINGS, John William (with Deloitte, Plender, Griffiths & Co.); JONES, John James (with Binder, Hamlyn & Co.); KERR, Michael John (with Cash, Stone & Co.); LESSER, Leslie Hugh (with Harold Everett, Wreford & Co.); LEVY, Geoffrey Philip (with Edward Em. Sander & Co.); LEVY, Peter Maurice (with Dubois & Co.); LOTHIAN, Denis Gordon Thomas (with Knox, Cropper & Co.); LUBELL, Ronald (with Mark Banus, Pollard & Co.); MACDONALD, Neil John (with Mitchell, Rodrigues & Co.); MCFARLANE, Donald Dennis (with Smith & Williamson); MANNING, Roy George Clarke (with Brown, Peet & Tilly); MILLS, Brian Alexander (with Batty & Co.); MILTON, Derek John (with Leonard Curtis & Co.); MOATE, David Walter (with Moate, Thorpe & Co.); MUNDAY, Eric Alec (with Blakemore, Elgar & Co.); NEIGHBOUR, Roy Edward (with Clements, Hakim & Co.); NEWEY, Leslie John (with Frazer, Whiting & Co.); NOTT, Christopher Roy (with Cash, Stone & Co.); PALMER, Lewin Bernard (with West, Wake, Price & Co.); PARISH, Alexander Leonard Stephen (with Cooper Brothers & Co.); PATTON, Bernard (formerly with Maurice Thei, Adler & Co.); PIMM, Dennis Frank (with Slater, Chapman & Cooke); PRATT, Michael Antony (with Lescher, Stephens & Co.); PRINCE, Derrick Walter (with Deloitte, Plender, Griffiths & Co.); QUELCH, Terry Ellis (with Wilkinson & Mellor); RAO, Velidindla Hanumantha (with Citroén & Citroén); RATCLIFFE, David (with Walter J. Smith & Son); RATCLIFFE, Frank Edward (with Simpson, Wreford & Co.); RATFORD, William Frederick (with Peat, Marwick, Mitchell & Co.); RAY, Peter Kenneth (with Gane, Jackson, Jefferys & Freeman); READ, Richard George (with Cooper Brothers & Co.); REED, James John, B.A. (with Slipper

& Co.); ROBINSON, Barry Alexander Cyril (with Martin, Farlow & Co.); ROSSER, John Austin (with Davey, Bridgewater & Co.); SAMARATUNGA, Yahampath Atchchige Don Sugathadasa, B.SC.(ECON.), (with M. Britz & Co.); SHEPHERD, Donald Henry (with Armitage & Norton); SHERBURN, Leonard Stanley, B.A. (with Whinney, Smith & Whinney); SHIPMAN, Louis Percival (with Mears, Judd & Co.); SMALE, John Leslie James (with Frazer, Whiting & Co.); SMITH, Leslie (with Charles Comins & Co.); SNOW, Reginald John (with Deloitte, Plender, Griffiths & Co.); SOUTHAM, Kenneth Hubert (with W. A. Browne & Co.); STEBBING, Frederick (with John Cooper & Co.); THORN, Dennis Harold (with Garvin, Cantor & Co.); TUNBRIDGE, Stanley James (Borough Treasurer's Department, Shoreditch); UPTON, Betty Patricia (with Blakemore, Elgar & Co.); VERLANDER, Ronald Vincent (with Bennett, Gazzard, Flynn & Co.); VIDLER, Edwin Norman (with Farr, Rose & Gay); WADE, Roland John (with Leslie A. Ward); WALKER, Ronald George (with Barrowcliff, Russell, Baker & Co.); WENBORN, Colin Michael (with Clements, Hakim & Co.); WHATTON, Sidney John, B.COM. (with Deloitte, Plender, Griffiths & Co.); WILLIAMS, John Bryan (with Chantrey, Button & Co.); WOOD, Norman Davies (with Sharpe, Fairbrother & Co.).

Loughborough—BARKER, Roger Thomas (with William H. C. Wayte).

Luton—LEACH, Dennis Kent (with F. E. Hawkes & Co.); MAY, Christopher Gooding (with Keens, Shay, Keens & Co.); THOMSON, Brian (with Keens, Shay, Keens & Co.).

Manchester—ATKINS, Ronald (with Martin & Stone); BARROW, Frederick (with Lomax & King); BOTHAMLEY, Kenneth Frank (with Bedell & Blair); GARNER, Maurice Edwin (with Thomas Forster & Co.); HOLLAND, William (with W. Bolton & Co.); IVISON, Kenneth (with Vaughan & Gregg); LEIGH, Alexander (with Alfred Nixon, Son & Turner); MARSHALL, Peter Izod (with Peat, Marwick, Mitchell & Co.); MITCHELSON, George Ernest (with Alfred G. Deacon &Co.); SAVAGE, Gerald (with Gerald Classick & Co.); SHAW, Ronald (with Dearden, Gilliat & Co.); SIDEBOTTOM, Alan (with F. Arthur Pitt & Co.); STAFFORD, Frank (with Thomas Hodgson & Co.); WEBSTER, Derek (with Walton, Watts & Co.).

March—REEVE, John (with Larking, Larking & Whiting).

Middlesbrough—MORRIS, Anthony (with Peat, Marwick, Mitchell & Co.); MYERS, Ronald Keith (with Gilchrist, Tash, Wilson & Sanson); STEPHENSON, John Trevor (with C. Percy Barrowcliff & Co.).

Minehead—JOHNSON, Brian George (with Amherst & Shapland).

Nairobi, Kenya — HERRING, Robin Greville Warwick (with Alexander, Maclennan, Trundell & Co.).

Neath—MORRIS, David Hugh (with Wood, Bradfield & Co.); PARSONS, Colin James (with D. E. Jenkins & Son).

Newcastle upon Tyne—CHILVERS, Frederick James (with Forrestal & Co.); CROFT, Frederick (with Robson, Laidler & Co.); WHITE, John Charles (with M. Hutchinson & Co.).

Newport, Mon.—EDWARDS, John Saer (with Alfred E. Pugh & Son); HOCKEY, Ronald Christopher (with Chas. E. Rollinson); LANG, Peter William (with Lucian J. Brown & Notley).

Northampton—JARRETT, Michael Andrew (with J. R. Watson & Co.); THOMAS, Victor James, B.A. (with W. E. Warrington).

Norwich—BOWLES, Sidney Theodore (with F. D. Hambling); CROME, Dennis Victor (with H. P. Gould & Son).

Nottingham—BARNACLE, William Edward (with Wells, Ellis & Co.); BERRY, Darrol Brian (with H. G. Ellis, Kennewell & Co.); BONSER, David William (with Sharp, Betts & Co.); BROWN, Donald Barry (with Singleton, Carter & Co.); WRIGLEY, Amy Christine Lawson, B.A. (with Mellors, Basden & Mellors).

Nuneaton—REDFERN, John William (with Thomas Bourne & Co.).

Oldham—EVANS, Kenneth (with Jno. Brierley & Son).

Otley—JENNINGS, Peter (with B. E. Brayshaw).

Oxford—SCALES, Jack (with Critchley, Ward & Pigott).

Peterborough—LAKE, Frederick Leonard (Ministry of Housing & Local Government); SEWARD, Peter John (with Stephenson, Smart & Co.).

Petersfield—COSHAM, Derek George Arthur (with Edmonds & Co.).

Pontefract—WATERTON, Brian (with E. Holstead).

Poole—THOMAS, Leslie Stephen (with Edwin G. Pulsford & Co.).

Portsmouth—SUBAIR, Hamzat Abiodun (with A. G. Gaylard).

Preston—JONES, Roland Edmund (with Titus Thorp & Ainsworth).

Radcliffe—GRESTY, Brian (with J. Wild & Co.).

Reading—CAPON, Stuart William (formerly County Treasurer's Department); CLARK, Dennis (D. Clark).

Rugby—PHILLIPS, Graham Maxwell (formerly with A. E. Limehouse & Co.).

Scarborough—BRAMLEY, Colin (with F. L. Gardiner & Co.).

Scunthorpe—WOODROW, William Harold (Borough Treasurer's Department).

Sheffield—BESLEY, John (with Poppleton & Appleby); COTTINGHAM, Barrie (with Carnall, Slater & Co.); JACKSON, Kenneth (with T. G. Shuttleworth & Son); PICK, Trevor Gordon (with Cooper Brothers & Co.); RODDIS, John Roland (formerly with Camm, Metcalfe, Best & Co.); THOMPSON, Bernard (with Peat, Marwick, Mitchell & Co.).

Skipton—CLARKE, William Sugden (with Weston, Whalley & Jackson).

Slough—REES, Hugh Anthony (with Griffith & Miles).

South Shields—JOHNSTON, Michael Thomas (with J. H. Whyte); LEIGHTON, Douglas (Borough Treasurer's Department).

Southampton—GARDNER, Alan Frank (with Westlake, Clark & Co.).

Stirling — MCINTOSH, James Andrew (Town Chamberlain's Office).

Stockholm, Sweden — ALLISON, Colin (with Price Waterhouse & Co.).

Stoke-on-Trent — CROMPTON, Donald (with A. Cropp Hawkins & Co.); HORNE, Reginald Jeffrey (with J. Paterson Brodie & Son); JONES, Emyr Gwyn (with W. L. Jackson & Hesketh).

Stroud—WEBB, Brian Ernest (with S. J. Dudbridge & Sons).

Sunderland—BURNLEY, Lionel Wilfred, B.COM. (with A. J. Ingram & Co.).

Swansea—BATCOCK, Maurice Bevan (formerly County Borough Treasurer's Department).

Torquay—DORAN, John Norman (with Ware, Ward & Co.); HARRIS, Brian (with Bishop, Fleming & Co.).

Trinidad, B.W.I.—HODGES, Cecil William (Oversea Audit Department).

Weston-Super-Mare — SILCOCKS, Trevor Beresford (with J. & A. W. Sully & Co.).

Weymouth—COOKE, Victor Wallis (with Chalmers, Wade & Co.).

Winchester—CHERRETT, James Masterman (Deputy City Treasurer); ROTHMAN, Algernon Patrick Francis (with D. A. Ponsford & Co.).

Yeovil—WILLATS, Peter Henry (with Chalmers, Wade & Co.).

York—TURPIN, Harry (with Peat, Marwick, Mitchell & Co.).

INTERMEDIATE EXAMINATION

Honours Candidates (7)

ALLISON, Christopher John (with Temple, Gothard & Co.), London. (*First Certificate of Merit and First Prize.*)

GILLINGWATER, John Robert (with Hodgson, Harris & Co.), Hull. (*Second Certificate of Merit and Second Prize.*)

READ, John Leslie (with A. J. Northcott, Lyddon & Co.), Plymouth. (*Third Certificate of Merit and Third Prize.*)

BENTON, Colin Wilfred (with Lionel Davidson & Co.), London. (*Fourth Certificate of Merit.*)

LILLFORD, Jack (with E. Newsum & Son), Doncaster. (*Fifth Certificate of Merit.*)

FARRELL, Stephen Michael (with G. G. Jackson), Manchester. (*Sixth Certificate of Merit.*)

JONES, David Ieuan (with H. F. J. Cadwallader), Welshpool. (*Sixth Certificate of Merit.*)

Candidates Passed (302)

Abergele—KIRKHAM, Michael Robert (with K. H. A. Knight).

Ashton-under-Lyne — ELLIOTT, Keith Adrian (with Fred Thornley).

Barnsley—WOOD, Colin (with J. A. Harris & Co.).

Barrow-in-Furness—THOMPSON, Kenneth Muir (with R. F. Miller & Co.).

Bath—BOSCHI, Nigel Guy James (with Mundy, Brewer & Johnson).

Belfast—BOLTON, Arthur Alexander (with W. J. M. Stewart & Co.); CLARKE, James (with E. A. Anderson & Co.); CUNNINGHAM,

Eric (with Corry & Henderson); DEVENNEY, David Stewart (with W. Campbell Watson & Co.); JAMISON, Ivan Alexander (with Martin Shaw, Leslie & Shaw); O'HARE, Hugh Francis (with Magee & Hillan); TINSLEY, Hugh Ronald (with Muir & Addy).

Birkenhead—CASEY, John (with Lerman & Cash).

Birmingham—ELLIOTT, John Cyril (with Withnall, Carlyle & Co.); PARTRIDGE, John Francis (with Howard Smith, Thompson & Co.); PRICE, Sydney Albert Brooke (with Fred. J. Ault & Co.); WIGLEY, Ronald William (with C. Herbert Smith & Russell).

Blackburn—DOXEY, Peter (with Rodger Smith & Co.); EDWARDS, Brian (with Frank A. Astley).

Blackpool—HARLEY, John Alfred (with Sydney M. Butler); MALPAS, Robert Daniel (with F. W. Coope & Co.); PRYLE, John (with F. W. Coope & Co.).

Bournemouth—CROSS, Gwneth Barbara (with Bicker, Son & Dowden); TOMS, David Charles (with Malpas, Simmons & Co.).

Bowdon—GORTON, Thomas (Treasurer's Department, Bowdon Urban District Council).

Bradford—BROADBENT, Keith Foster (with Firth, Parish & Clarke); HARKER, Peter (with Armitage & Norton); KILSHAW, Ronald Frederick (with W. R. Glossop); PEACOCK, Ronald (with Firth, Parish & Clarke); RAYNER, Victor (with Rushworth, Ingham & Rhodes); SMITH, David Riley (with Rhodes, Stringer & Co.); SUNDERLAND, Roy (with J. A. Heselton & Son); THOMPSON, Vincent Leslie (with W. A. Turner & Co.); WOODHOUSE, Vincent Spencer (with C. W. Allan).

Bridgwater—SAMPSON, Antony John (with Burston, Dimmock & Co.).

Bristol—DAGGAR, David John (with Hudson Smith, Briggs & Co.); HORDLE, Jeffrey Gordon (with Hudson Smith, Briggs & Co.); SAGE, Cyril John (with Tribe, Clarke & Co.).

Burnley—COLLINS, Raymond Peter (with Ashworth, Moulds & Co.).

Bury St. Edmunds—WISEMAN, Brian Leonard (with Larking, Larking & Whiting).

Cardiff—DAVIES, Kenneth Henry (with H. F. Parker & Co.); HUNTLEY, Geoffrey Charles Graham (with Watts, Gregory & Co.); PEPPERELL, Frederick Vivian Wilfred (with W. G. & D. G. Evans); ROGERS, John Henry Wilson (with Phillips & Trump); ROSS, Derek Guy (with Ross, Jones & Co.); SHANKLAND, Bernard (with Alfred Shankland & Sons).

Carlisle—HURLEY, Edmund Adrian (with E. J. Williams & Co.).

Chelmsford—KETLEY, Leslie (with Luckin & Sheldrake).

Chester—ARTHUR, Norman Jenks (with Haswell Brothers).

Chesterfield—HOWELLS, Henry (with Carline, Watson, Bird & Co.).

Chichester—SCAMMELL, Stanley Thomas (with Watling & Hirst).

Chorley—SEED, Thomas Wilfrid (with Fearnhead & Co.).

Colombo, Ceylon—MARTIN, John Eustace Dunstan (with Wijeyeratne & Co.).

Cork—BYRNE, John Martin, B.COM. (with C. P. McCarthy, Daly & Co.).

Coventry—MATHESON, Norman John (with Edward Thomas Peirson & Sons).

Derby — GUESS, Michael John (with Cooper-Parry, Hall, Doughty & Co.).

Doncaster—BOOTH, Donald Barrie (with Watson, Waddington & Sharp); COOKE, Geoffrey Albert (with Watson, Waddington & Sharp); TOVELL, John Rowland (Borough Treasurer's Department).

Dublin—GOUGH, Paul Noel (with J. A. Kinnear & Co.); HARRISON, John Frederick George (with J. H. Barton & Co.); HOLOHAN, Michael Vincent (with F. R. O'Connor); KELLY, Brendan Francis, B.COM. (with Martin, Quin & Co.); MCGLOUGHLIN, Denis Joseph (with Devereux, Lynch & Co.); MACNEICE, John Samuel Anthony (with F. R. O'Connor); MULDOON, Sean Paschal (with Griffin, Lynch & Co.); O'SHEA, Seamus (with Wm. C. Ribbeck & Co.); PASLEY, Brian John Ormsby, B.A., B.COM. (with Cooper & Kenny); WALSH, John Paschal (with J. A. Kinnear & Co.).

Dunstable—CHAPPELL, Bryan Augustus (with Turquand & Son).

Eastbourne—WATSON, David Cyril Clifford (with Holmes, Price & Co.).

East Grinstead—STAPLEHURST, Douglas George (with Richard Place & Co.).

Edinburgh—CRICHTON, James (with Dalgliesh & Tullo); MATHIE, John French (with Howden & Molleson); STEWART, William Hall (Department of Health); YOUNG, Alexander Leonard (with Howden & Molleson).

Evesham—COX, John Brian Denis (with Kingscott, Dix & Co.).

Exeter—JAMES, Kenneth Isaac (with C. C. Yeo).

Feltham—WAKELIN, Gerald Norman (with Loker, Lowther & Co.).

Fleetwood — SHADBOLT, William John (with T. & H. P. Bee).

Glasgow—ALEXANDER, Robert Monro (with Robert T. Dunlop & Co.).

Gloucester—CAUSON, Ronald James (with Kingscott, Dix & Co.); DRAPER, Derek George (with Kingscott, Dix & Co.).

Gravesend—REDSELL, Derek George (with Carley & Co.).

Guernsey, C.I.—BOURGAIZE, Owen Edward (with Carnaby Harrower, Barham & Co.).

Halifax—ASPIN, Geoffrey (with Kilby, Sutcliffe & Co.); SHEPHERD, John Fletcher (with J. D. Ayrton & Co.).

Harlow—CLARKE, Vernon David (with Price and Bailey).

Hereford—WILLIAMS, Delwen Elaine (City Treasurer's Department).

Holyhead—BELL, John Edmund (Chief Financial Officer, Holyhead Urban District Council).

Horsham—KELLY, Leonard Robert (with Philip T. Bryant).

Huddersfield—PENNINGTON, Brian (with Fred Sheard & Sons); PERRY, Raymond (with Wheawill & Sudworth); TAYLOR, Brian (with Armitage & Norton).

Hull—COCKERILL, Leslie (with Brodie, Gibson & Co.); KIRBY, Terence Colin (with W. P. Vickerman & Co.); REEVE, Brian Henry (with Goldie, Campbell & Robins); SALTON, Trevor (with Oliver, Mackrill & Co.).

Kingston-upon-Thames—BARTRAM, David George, M.A. (County Treasurer's Department).

Lagos, Nigeria—LITUMBE, Godlieb Njoh (with Cassleton Elliott & Co.); MONU, Godfrey Obiora (with Cassleton Elliott & Co.).

Leamington Spa—MARSHALL, Lawrence (with Burgis & Bullock).

Leeds—BARNES, Michael (with Starkie & Naylor); CLARKE, Alan Leslie (with Herbert Stephenson); DALTON, Irwin (with Smithson, Blackburn & Co.); DAVIES, Charles Roger (with Frank Hall); GILLSON, Harry (with Wheawill & Sudworth); GRACE, Donald (with S. R. Fuller & Co.); LANCASTER, Gordon (with Peat, Marwick, Mitchell & Co.); REID, Peter William (with Volans, Leach & Schofield); SCOTT, Eric Thomas (Ministry of Housing and Local Government); WRIGHT, Michael David (with Pickard, Penny & Co.).

Leicester—BETTS, David Roland (with Thomas May & Co.); COOPER, James Barnsdale (Ministry of Housing and Local Government); DALY, Derek Keith (with F. W. Clarke & Co.); DINGLEY, John Brian (with Thomas May & Co.); HOCKNEY, John Henry (with F. W. Clarke & Co.); TEESDALE, Jack Gilbert (Ministry of Housing and Local Government).

Leominster—DAVIES, Robert William (with Harold Smith & Co.).

Liverpool — CARRUTHERS, William Douglas (with Duncan, Watson & Short); DOW, William (with H. Noel French, Ormrod & Co.); KANEY, Arnold Edward (with Rd. Corner & Jones); LLOYD, Keith David (with Peat, Marwick, Mitchell & Co.).

London—AARONS, Stanley (with David Clayton & Co.); ALTHASEN, Gerald Hyman (with Soper, Davidson & Co.); ANDERSON, Alan John (with West & Drake); ANDERSON, Gilbert Magnus (with Brooks, Trueman & Wright); ANDERSON, Gordon Roy Reginald (with Ogden, Hibberd Bull & Langton); ANDREWS, Brian (with Portlock & Co.); ANDREWS, Colin William (with Temple, Gothard & Co.); BANERJEE, Sailendra Nath, B.COM. (with Price Waterhouse & Co.); BAXTER, Alan (with Whinney, Smith & Whinney); BEATTIE, John Campbell (with Deloitte, Plender, Griffiths & Co.); BLOYE, Ronald Brian (with Harper, Feather & Paterson); BORE, Thomas William (with Yeatman, Melbourn & Co.); BRAY, David (with Bromhead, Foster & Co.); BRAY, Douglas Charles (with Binder, Hamlyn & Co.); BRISLEY, Edward William (with Hibbert, Sier, Woods & Co.); BROWN, John Sydney (with Deloitte, Plender, Griffiths & Co.); BUTCHER, Jack Basil (with Sprague, Nicholson, Morgan & Co.); CHALK, Harry Raymond (with Baker, Sutton & Co.); CHERITON, Alfred Allan (with Westcott, Maskall & Co.); COHEN, Arnold (with Field & Co.); COLE, Kenneth Brian (with Barber & Co.); CORNWELL, Charles Austin (with Holmes-White, Her-

bert & Co.); COTTON, John Burrows (with Middleton, Hawkins & Co.); COX, David John (with Alfred G. Deacon & Co.); CRESWICK, Angela Shirley (with Cassleton Elliott & Co.); CURZON-TOMPSON, Roger Howard Lawrence (with Baskett & Bryant); DAVIES, James Walden (with Woolger, Hennell, Scott-Mitchell & Co.); EDWARDS, Raymond George (with Sydenham, Snowden, Nicholson & Co.); ENOS, Benjamin (with Pannell, Crewdson & Hardy); FAITHFULL, Peter David (with Binder, Hamlyn & co.); FARKAS, Erwin Frederic (with Hogg, Bullimore & Co.); GILHAM, Clive (with Andw. W. Barr & Co.); GLOVER, Terence John (with Pawley & Malyon); GOLDING, John Henry (with Clark, Battams & Co.); GRAHAM, George McRae (with Peat, Marwick, Mitchell & Co.); GRAY, Frank Henry (with Deloitte, Plender, Griffiths & Co.); GRIST, Ivor George (with Welford, Simpson & Scott); GYI, Michael Theodore (with Allen, Baldry, Holman & Best); HATT. Brian John (with Henry J. Burgess & Co.); HAWES, Peter John (with Franklin, Wild & Co.); HAWKINGS, John Derek (with Peat, Marwick, Mitchell & Co.); HELLIER, Kenneth Charles (with Peat, Marwick, Mitchell & Co.); HENDEY, Derek George (with Freeman, Sutton & Co.); HOING, Roy Coote (with Eric Phillips & Co.); HOOK, Charles Richard (Registry of Friendly Societies); HYLAND, Peter Michael (with Cocke, Vellacott & Hill); JENKINS, Gwyn Oliver, B.SC.(ECON.) (with Keeling & Co.); JONES, Hugh Gerrard Vernon (with Arthur C. Heyward & Co.); KUZMIN, Jan, B.COM. (with Hepburn, Hagley & Knight); LEGG, Peter Arthur (with Appleby & Wood); LEVER, Thomas James (with Deloitte, Plender, Griffiths & Co.); LOCK, Peter Charles (with Lawrence Fink & Co.); LONG, Daniel William Charles (with Peat, Marwick, Mitchell & Co.); MALLAGHAN, Peter Vincent Joseph (Ministry of Health); MAMA, Noshir Zubin, B.A. (with Wells & Partners); MILES, George John (with McClelland Ker & Co.); MOOR, Michael Frederick (with Daniel Mahony, Taylor & Co.); MURGATROYD, Philip John (with Birkett, Boughey & Co.); OLDALE, David Leonard (with Hibbert, Sier, Woods & Co.); O'NEILL, John Amos (with Martin, Farlow & Co.); OSBORNE, Dennis George (with W. A. H. Blinkhorn); OXLEY, Roland Francis (with Slipper & Co.); POND, David Frederick (with Layton-Bennett, Billingham & Co.); QUARTEY-PAPAFIO, Emmanuel Asuana (formerly with Midgley, Snelling & Co.); RALPH, Brian Douglas (with Lindsay, Jamieson & Haldane); REEVES, David Sidney (with E. J. H. Clarke & Co.); REYNOLDS, Anthony Robert (with Lind & Co.); ROBERTS, Charles Anthony (with Deloitte, Plender, Griffiths & Co.); ROLFE, Bernard Reginald (with Sharp, Parsons & Co.); ROLT, Patrick (with Hancock, Gilbert & Co.); ROUSE, Ian Rudolph (with Morgan, Back & Co.); SHARP, John Henry (with Chalmers, Wade & Co.); SIMMONS, Norman Walter (formerly with Edward Blinkhorn, Lyon & Co.); SMITH, Malcolm John (with Singleton, Fabian & Co.); SMITH, Thomas Henry (with Turquand & Son); SUGARMAN, Jack (with Lord, Foster & Co.); TICHENER, William Herbert (with Cash, Stone & Co.); TOMES, Ernest Gordon, M.A. (with Turquand, Youngs & Co.); TOWELL, Robert John (with Holden, Howard & Co.); TUOHY, John Colin (with Lomax, Clements & Co.); TURNER, Donald Ernest (with Spiro, Sargant & Co.); TYLER, Robert Henry George (with Hunter, Jones, Halford & Co.); WALTERS, Brian Edward (with Greenslade & Co.); WEBB, David Alan (with Peat, Marwick, Mitchell & Co.); WHITE, Raymond George (with Silversides, Slack & Barnsley); WILMOT, Kenneth Frederick (with Sharpe, Fairbrother & Co.); WINTER, David (with Lionel Davidson & Co.); WRIGHT, Robin Henry (with Derbyshire & Co.).

Loughborough—ABEL, Carl William Emberton (with William H. C. Wayte).

Luton—PRICE, Graham James (with Keens, Shay, Keens & Co.).

Malvern—KENNEDY, Clive John (with Walker, Weller & Roy).

Manchester—ASPRAY, Rodney George (with John Collier & Co.); BELLIS, John Alan (with Alfred Nixon, Son & Turner); DERVIN, Kenneth George (with Greenhalgh, Sharp & Co.); EDWARDS, Brian (with Fred. Hargreaves & Co.); GUTHRIE, Neil Baxter (with Cooper Brothers & Co.); HAMBURGER, Cyril (with Royce, Peeling, Green & Co.); JONES, Vera (with F. Arthur Pitt & Co.); KENWRIGHT, Terence (with Deloitte, Plender, Griffiths & Co.); MORGAN, Robert (with C. V. Jarvis & Co.); PARROTT, John Donald (with Willett, Son & Garner); ROBERTS, Robert Granville (with A. Redfearn, Son & Co.); SEN, Satyabrata (formerly with Campbell & Bowden).

Margate — CAINE, George Harold (Borough Treasurer's Department).

Middlesbrough—HEBDEN, John Dempster (with C. Percy Barrowcliff & Co.).

Neath—DAVIES, Norman Harold (with Jennings & Watkins).

Newark-on-Trent—BEAUMONT, Michael Day (with Stephenson, Nuttall & Co.).

Newcastle upon Tyne—BOND, Alan (with Joseph Miller & Co.); BOORER, John (Ministry of Pensions & National Insurance); CARGILL, Ian James (with Peat, Marwick, Mitchell & Co.); CONWAY, Terence Joseph (with Middleton & Middleton); DANIELS, Frederick William Wall (Ministry of Pensions & National Insurance); GILROY, George Cummings (with Thomas Rodger & Co.); GRAHAM, Thomas Edward (with Paul Lazzari); GREY, John (with Thomas Rodger & Co.); HALL, Peter (with Joseph Carr, McCracken & Co.); MCLENNAN, John George (with Forster, Scollick & Co.); WILSON, William (with Winter, Robinson, Sisson & Benson).

Newton Abbot—COX, John Luscombe (with Peplow & Co.).

Newport, I.o.W.—WESTMORE, Brian Arthur (with W. C. Black & Co.).

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Sheffield—HALL, Brian George (with Walter Moore & Co.); HEDLEY, Peter (with Joshua Wortley & Sons); MACHELL, Benny (with Camm, Metcalfe, Best & Co.).

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PRELIMINARY EXAMINATION

Honours Candidate (1)

SAVAGE, Terence Joseph, Belfast, N.I. (*First Place Certificate.*)

Candidates Passed (33)

BEST, Reginald Carl, *Portadown, Co. Armagh, N.I.;* CHARLTON, Alan James, *Tyldesley, nr. Manchester;* CHRISTODOULOU, Paschalis, *London, N.W.1;* CLARK, John Francis Harry, *London, S.W.8;* CLUNAS, Lindsay Asher, *Glasgow;* CUNNINGHAM, Neil, *Oldham;* DANES, Brian William, *London, E.10;* DAVIDSON, Samuel, *Belfast, N.I.;* FERGUSON, Cecil Herbert, *Clontarf, Dublin;* FRANKLIN, Leonard Geoffrey, *London, S.W.7;* GARROD, Alan Walter, *London, N.6;* HARDACRE, Timothy John Simpson, *Reading, Berks.;* HYDE, Terence Joseph, *Normanton, Yorks.;* IRVINE, Munro Stewart, *Bangor, Co. Down, N.I.;* MCCREADY, George, *Hillsborough, Co. Down, N.I.;* MACFARLANE, Robert Alistair, *Hornchurch, Essex;* MORRIS, Anthony John, *Hoddesdon, Herts.;* MOSS, Colin, *Birmingham;* MUNDAY, John, *Leicester;* NASH, John, *Birmingham;* NOAKES, Robert Alfred, *Walsall, Staffs.;* POCOCK, Peter Bernard, *Hull;* ROOKE, Brian Dirkin, *Kendal, Westmorland;* ROSS, John, *Ballyclare, Co. Antrim, N.I.;* RUSHFORTH, David Arba, *Drighlington, nr. Bradford;* SHEPPARD, Leslie Roy, *Egham, Surrey;* SIDNEY, Brian Leofric Morris, *Evesham, Worcs.;* STAINER, Brian Mackinnon, *Liverpool;* UNAL, Joel, *Belfast, N.I.;* WATCHORN, Ian Sidney, *London, N.13;* WATSON, Harry, *Lisburn, N.I.;* WETHERILL, Malcolm, *Bradford;* YOUNG, James, *Belfast, N.I.*

MODIFIED PRELIMINARY EXAMINATION

Candidates Passed (24)

ARNOLD, Peter William, *St. Albans, Herts;* BURNHILL, Alan Thornton, *Bradford;* BYRNE, Denis Joseph, *Dublin;* DENNIS, Kenneth Joseph, *Wendover, Bucks;* DENTON, Denzil Stuart, *Lee-on-Solent, Hants.;* GILBERT, Geoffrey, *London, N.15;* GREEN, George William, *Dagenham, Essex;* GREENWAY, Douglas Harold, *Paignton, Devon;* INMAN, Malcolm Gordon, *Huddersfield;* ISAACS, Sidney Ernest, *London, N.18;* JOANNOU, Vassilios, *London, W.10;* JOHNSON, Michael Julian Pillatt, *Chaddesden, Derby;* LOVELESS, Brian Charles, *Ilford, Essex;* MCCLURE, Henry, *Slough, Bucks.;* MAITLAND-WARD, Peter, *Aveley, Essex;* MUSGROVE, John, *Kirkby-in-Ashfield, Notts.;* NEALE, Peter, *Thornton Heath, Surrey;* NUNN, Cecil James, *Crayford, Kent;* PORTER, Ronald James, *Birmingham;* PRAGNELL, Raymond Edward, *Copnor, Portsmouth;* PURCELL, David Leo, *Harrow Weald, Middlesex;* TURL, Geoffrey, *St. Neots, Hunts.;* WADDICOR, Lawrence, *Steeton, nr. Keighley, Yorks.;* WILLIAMS, Brian Eric, *Doncaster.*

Examinations—November 1955

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Preliminary:	November 8 and 9, 1955
Intermediate:	November 10 and 11, 1955
Final: Part I	November 8 and 9, 1955
Final: Part II	November 10 and 11, 1955

The Centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2., not later than Monday, September 19, 1955.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

Personal Notes

We congratulate Mr. H. C. Carter, F.S.A.A., who was awarded the O.B.E. in the Birthday Honours List for public services in Sierra Leone. Mr. Carter is a partner in Messrs. Cassleton Elliott & Co. at Freetown.

Messrs. Gill & Johnson, Incorporated Accountants, of Nairobi, Kenya Colony, announce that Mr. D. G. R. Carter, A.S.A.A., has been admitted as a partner.

Mr. Grenville L. Guard, A.S.A.A., has commenced public practice under the style of Guard & Co., Incorporated Accountants, at 46 Rother Street, Stratford-upon-Avon.

Mr. William A. Shepherd, Incorporated Accountant, Risca, Mon., has taken into partnership his son, Mr. John W. F. Shepherd, Chartered Accountant, and Mr. J. Colin Jones, Chartered Accountant. The firm name is Shepherd, Son & Jones.

Messrs. Newby, Dove & Rhodes, Incorporated Accountants, Leicester, have admitted to partnership Mr. A. E. S. H. Walter, A.S.A.A., who was previously employed by them.

Mr. D. L. Brown, A.S.A.A., formerly chief accountant of Mars Ltd., Slough, has been appointed executive director in charge of service and finance.

Mr. W. F. Harris, B.COM., A.S.A.A., has been appointed head of the financial analysis department, Ford Motor Co. Ltd.

Removals

Messrs. Baker & Co. of Leicester, Northampton and Rushden, announce that Mr. B. A. Schanschieff, F.C.A., has joined them in partnership as from July 1, 1955.

Messrs. Auerbach, Hope & Co., Incorporated Accountants, announce that their London office has been removed to Burke House, 37/38 Gerrard Street, Piccadilly, W.1.

Mr. Thomas W. Watts, Incorporated Accountant, intimates that his office address is now 43 Brunswick Square, Hove, 2.

Messrs. J. Castleman & Co., Incorporated Accountants, have removed to Castle House, 79 King Street, Leicester.

Mr. J. R. Russell, Incorporated Accountant, is now practising at 8 Castle Crescent, Rathfarnham, Dublin.

APPOINTMENTS VACANT

(See also pages xvi and xvii)

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APPOINTMENTS VACANT

(See also page 328)

THE SOCIETY'S APPOINTMENTS REGISTER

Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

A LARGE Midland Light Electrical Engineering Company invites applications from fully qualified Accountants, 25–35 years of age, for positions within a Central Administration Group working on the establishments of procedures and systems, development of factory administration, and carrying out internal audit. Previous industrial experience is desirable though not essential. These positions provide a first-class opportunity for the successful applicants to gain wide experience on industrial production administration in a large organisation, and are pensionable, offering excellent prospects of advancement. Applications will be treated in confidence and should state age, qualifications, salary and experience to Box Number 170, c/o ACCOUNTANCY.

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(Other appointments vacant are on page 328)

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